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# **Trade Unions and Employment Relationship in Privatised State Enterprises: A Case-Study of the Finance and Petroleum Industries in Nigeria**

**by**

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for the degree of Doctor of Philosophy in Industrial Relations  
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## **Declaration**

Some of the materials from Gennard, J. and Judge, G. (1997) and Imoisili, I. C. (1984 and 1987) cited in this study were used earlier in the Author's M.Sc (Human Resource Management) degree dissertation submitted at the Institute for Development Policy and Management, University of Manchester, United Kingdom, in October 2000. This thesis is however, the Author's own work. The author hereby confirms that this thesis has not been submitted for a degree at another university.



## **Abstract**

Privatisation (defined as change of ownership and control of State-owned enterprises-SOEs) is a controversial economic and political policy that elicits diverse opinions and academic conclusions on its impact. With regard to its impact on industrial relations, the privatisation literature concludes that in most privatised SOEs, problems arise between unions and management over some important dimensions of the employment relationship. This Author's search of the privatisation literature led to the emergence of two hypotheses, as follows:

1. The employment relationship changes in its expression and management in privatised enterprises as a consequence of the change in ownership and control, structure and product market competition arising from privatisation; and,
2. The employment relationship in privatised enterprises changes, not necessarily as a consequence of privatisation, but as a consequence of changes in managerial/corporate strategies, national and firm-level industrial relations policies and other environmental factors not related to privatisation.

Data was collected from two privatised finance SOEs and one privatised petroleum SOE in Nigeria to test these hypotheses. Some key findings emerged which differ slightly from the conclusions of the privatisation literature, as represented by these two hypotheses. First, the study concludes that contrary to the conclusion of the privatisation literature, the observed changes in the employment relationship of privatised SOEs are mediated by the different effects of environmental and sectoral factors, economic centrality, the nature of the unions involved in bargaining and the balance of bargaining power between unions and management, as determined by the development context of the country concerned.

Secondly, the study concludes that contrary to the conclusions of the privatisation literature, the employment relationship in privatised enterprises changes as a consequence of changes in managerial/corporate strategies and firm-level industrial relations strategies directly related to privatisation. These conclusions suggest the need to slightly modify the conclusions of the privatisation literature and theory to take account of the economic, institutional and political differences between developing and developed economies, rather than seek to apply similar theories and conclusions to both development contexts like is currently the case.

## **Glossary of Abbreviations**

AFPs- Administrative Focal Points

ASSBIFI- Association of Senior Staff of Banks, Insurance and Allied Institutions

BPE- Bureau for Public Enterprises

BT- British Telecommunications

CBN- Central Bank of Nigeria

CFAO- Compagnie Française De L'Afrique Occidentale

COSATU- Congress of South African Trade Unions

DFI- Development Financial Institutions

FAAN- Federal Aviation Authority of Nigeria

FBN- First Bank of Nigeria

FHA- Federal Housing Authority

FOS- Federal Office of Statistics

FRCN- Federal Radio Corporation of Nigeria

GDP- Gross Domestic Product

IAP- Industrial Arbitration Panel

IFC- International Finance Corporation

ILO- International Labour Organisation

IMF- International Monetary Fund

ISO- International Standards Organisation

JNC- Joint Negotiating Council

JV(A)- Joint Venture (Agreement)

JV(s) – Joint Venture(s)

JVC- Joint Venture Contracts

LNG- Liquefied Natural Gas



MIGA- Multilateral Investment Guarantee Agency

NAFCON- National Fertiliser Company of Nigeria

NCP- National Council on Privatisation

NCU- National Communications Union, U.K

NDIC- Nigeria Deposit Insurance Corporation

NEABIAI- Nigeria Employers Association of Banks, Insurance and Allied Institutions

Naira (=N=) – Nigeria’s currency unit. 100 kobo (k) equals =N=1.00

NEPA- National Electric Power Authority

NEXIM- Nigerian Import-Export Bank

NFR- Non-Fuel Retailing

NIC- National Industrial Court

NIPOST- Nigerian Postal Services

NITEL- Nigerian Telecommunications

NJIC(s) - National Joint Industrial Council(s)

NLC- Nigeria Labour Congress

NLNG- Nigeria Liquefied Natural Gas Corporation

NNPC- Nigeria National Petroleum Corporation

NOLCHEM Plc- National Oil and Chemical Marketing Plc

NPA- Nigeria Ports Authority

NPF- National Provident Fund

NSITF- Nigeria Social Insurance Trust Fund

NUBIFIE- National Union of Banks, Insurance and Financial Institutions Employees

NUEW- Nigerian Union of Electricity Workers

NUPENG- National Union of Petroleum and Natural Gas Workers

OECD- Organisation for Economic Cooperation and Development

OPEC- Organisation of Petroleum Exporting Countries

PBSR- Public Sector Borrowing Requirement

PENGASSAN- Petroleum and Natural Gas Senior Staff Association of Nigeria

SAP- Structural Adjustment Programme

SBU- Strategic Business Units

SOE(s) - State-owned Enterprise(s)

SRF- Strategic Resource Functions

SSASCGOC- Senior Staff Association of Statutory Corporations and Government-owned Companies

TCPC- Technical Committee for Privatisation and Commercialisation

TUC- Trade Union Congress, U.K

TUC, Nigeria- Trade Union Congress, Nigeria

U.K- United Kingdom

UAC- United African Company

UNIDO- United Nations Industrial Development Organisation

## CHAPTER ONE- INTRODUCTION AND LITERATURE REVIEW

### 1.1. Introduction

Privatisation has been a subject matter of academic studies and debate for some decades. Opinions and academic conclusions on its impact are however diverse and will be examined in the course of this study. This literature review is situated within the context of a larger within-country, cross-sectional case study aimed at critically analysing privatisation's impact on trade unions and employment relationship in privatised state owned enterprises (SOEs) in Nigeria, in two parts as follows:

- i. A review of the literature on privatisation; and,
- ii. A review of the literature on trade unions and employment relationship

### 1.2. A review of the literature on privatisation

#### 1.2.1. Introduction

Simply put, privatisation represents both the idea of reducing state involvement in industry and commerce as well as the drive to reverse the intervention of government in the economic life of a country (Letwin, 1988). Generally, it involves the enhancing of the scope of private ownership and the private sector and the sale of government-owned equity in nationalised industries or other commercial enterprises to private investors, with or without the loss of government control of the organisations (Hurl, 1995). Privatisation represents a range of different policy initiatives designed to alter the balance between the public and the private sectors (Cook and Kirkpatrick, 1988) via a reduction of government ownership and control of SOEs in favour of private sector participation (Vickers and Wright, 1988). In view of its various definitions, it becomes imperative to adopt a definition of privatisation for this study. In this study, therefore,



privatisation refers to the tilting of the scale of ownership and control of SOEs in favour of the private sector.

Two opposing schools of thought dominate the debate in the privatisation literature- the 'Social view' and the 'Agency view'. The 'Social view' advocates public ownership of enterprises and argues that under conditions of perfect competition, absence of information problems and complete contracts, ownership does not matter since the same performance of firms would be observed (Sheshinski and Lopez-Calva, 1999). The 'Agency view,' on the other hand, supports private ownership and is comprised of two perspectives.

The first- the 'managerial perspective'- argues that monitoring is poorer in publicly-owned firms and, as a result, incentives for efficiency are low-powered. According to Sheshinski and Lopez-Calva (1999) this perspective argues that managers of SOEs are poorly monitored because the firms are not traded in the market like private firms and do not face the threat of take-over when they perform poorly, shareholders cannot observe and influence the performance of SOEs and debt markets cannot play the role of disciplining the managers because SOEs debt is actually public debt that is perceived and traded under different conditions.

The second perspective, the 'political perspective,' argues that political interference results in the distortion of SOEs' objectives and the constraints faced by public managers. It posits that distortions in both the objective function that public managers seek to maximize and the so-called 'soft budget' constraint they face result in lower efficiency under public ownership (Ibid.). The political perspective sees public managers as 'empire builders' who tend to report to a politician, pursue political careers themselves and incorporate aspects that relate to

the maximization of employment (at the cost of efficiency) and political prestige into the objective function of SOEs (Ibid.).

#### 1.2.2. Methods of privatisation

There are various methods of privatisation. Cook and Kirkpatrick (1988, pp. 3-4) identify three broad methods, as follows:

##### i. Denationalisation or divestiture

This refers to a change in the ownership of an enterprise (or part of it) from the public to private investors in a number of different ways depending on the state of a country's capital market. Where the capital markets are well developed, it involves the sale of all or part of the SOE's equity to the public. In most developing economies with less developed capital markets, it involves the sale of the enterprise as a complete entity. Denationalisation may also involve the introduction of private sector participation into a public enterprise (joint venture) or the abandonment or formal liquidation of the SOE or management or employee buy-out.

##### ii. Liberalisation

This involves the deregulation of entry into protected markets previously restricted to SOEs in order to increase competition but may not necessarily involve the transfer of ownership of assets by the SOE to the private sector. According to Politt (1999) liberalisation often consists of the related policies of ownership transfer (conventionally defined as privatisation), structural change to the industries concerned and the introduction of statutory bodies to oversee the behaviour of incumbent firms.

##### iii. Franchising or contracting-out

This may involve the transfer of the provision of goods or services from the public



to the private sector (while government remains responsible for supplying the service) or the leasing of SOEs' assets to the private sector.

Zanker (2001, p. 3) on the other hand, classifies the various forms of privatisation under three main categories, as follows:

- i. Functional privatisation which involves “contracting-out” of government tasks to private companies while the tasks remain the responsibility of the government.
- ii. Organisational privatisation involving the privatisation of the organisation and management through the establishment of civil law partnerships. The task remains with the government but is fulfilled under civil law and according to commercial criteria.
- iii. Privatisation of task and capital involving the partial or full sale of public property to private investors or through a public listing, with the government withdrawing its responsibility for what was up to then a public task and relinquishing ownership and control of the enterprise.

According to Zanker (2001) there are many mixed forms among these variants in practice and often, all three stages run simultaneously. As Letwin (1988) observes, privatisation may involve buy-outs of management and/or workers.

### 1.2.3. The objectives of privatisation

The objectives of privatisation vary from one country to another, depending on the government's ideological perspective and from one sector/SOE to another as well.

Sheshinski and Lopez-Calva (1999, p. 7) summarise the various objectives of privatisation identified in the literature into four categories as follows: to achieve higher allocative and productive efficiency; strengthen the role of the private sector in the economy; improve the public sector's financial health; and, free

resources for allocation in other important areas of government.

Vickers and Wright (1989, pp. 5-8) on the other hand, summarise the various objectives of privatisation identifiable in the literature into five categories, including:

i. Ideological motive

As an ideological tool, privatisation pushes back the frontiers of the State and increases the choice of consumers by eliminating the monopoly status of public enterprises and services and making the consumer sovereign as in the private sector.

ii. Economic motive

As an economic tool, privatisation helps to produce a substantial irreversible shift in the structure of the economy and promotes economic efficiency through the enablement of well functioning and competitive markets and internationally competitive enterprises, promotes the efficiency of erstwhile SOEs by exposing them to market forces and eliminating government interference in their operations. It also facilitates the adoption of tough labour policies by governments and constitutes a means of rationalising State asset portfolios and reorganising investment strategies.

iii. Managerial motive

As a managerial tool, privatisation breaks down public sector empires and reasserts consumer sovereignty, raises the standard of service provision and increases efficiency while reducing costs. By freeing management from political control and exposing them to market forces, privatisation, according to Vickers

and Wright (1989) makes profit the critical element in corporate survival.

#### iv. Party political motive

As a political tool, privatisation is seen as a means of increasing the frontiers of private enterprise vis-à-vis the state in order to create a conservative, anti-socialist electorate.

#### v. Financial motives

As a financial tool, privatisation is seen as a means of reducing state financial commitment to the erstwhile state-owned enterprises, i.e. a tool for reducing the Public Sector Borrowing Requirement (PSBR) by giving firms access to capital markets, fostering stock exchange growth, ending costly state rescue operations, and raising money for the state treasury (Ibid.).

The policy objectives of privatisation also differ from one economic development context to another. Adam et al. (1992, p. 13) for instance, identify six principal objectives of privatisation in developing countries, as follows:

##### i. Public finance rationalisation objectives

Most developing countries see privatisation as a means of reducing net budgetary transfers in order to eliminate contingent external debt liabilities, generate valuable capital revenue, ease the pressure for expenditure cuts in other areas and reduce the adverse effects which deficit financing can have on domestic investment through the proceeds of privatisation. The assumption here is that through the process of privatisation, the private sector reduces its cash holdings or other financial assets and acquires equity in privatised enterprises, while the government reduces its equity and increases its cash holdings.



## ii. Economic efficiency or supply-side objectives

These objectives are closely related to the broader issues of liberalisation in most developing countries, which perceive privatisation as a means of promoting economic and enterprise efficiency and attaining supply-side goals via the elimination of government intervention in enterprise management. Generally, the aim is to promote a higher level of managerial supervision and profit-maximisation.

## iii. Private sector development objectives

Most developing countries see privatisation as a tool for facilitating the growth in private sector investment by removing the high degree of protection enjoyed by public enterprises, eliminating the practice of making public investment decisions by fiat and re-establishing the link between economic risk and reward thus inducing the private sector to switch from asset accumulation to more risky domestic capital assets.

## iv. Capital market development

Some developing countries construe privatisation as a means for developing or revitalising local capital markets and enhancing the mobilisation of domestic savings. Such countries see the augmentation of the supply of stock through the sale of government equity as a way of kick-starting their capital markets.

## v. Income distribution

In some developing countries, a main objective of privatisation is the promotion of income distribution targets through consciously determining the relative access of domestic and foreign participants in the privatisation exercise. Sometimes, shares

are under-priced to achieve favourable distribution of wealth.

vi. Meeting structural adjustment conditionalities

Privatisation is often pursued by most developing countries as a component of economic structural adjustment programmes (SAP) due to the emergence of policy-based lending by the International Monetary Fund (IMF) and the World Bank in the 1980s. The latter for instance, was involved in 143 adjustment loans directed towards SOE reform world-wide in the decade up to 1989 (Galal, 1990, cited in Adam et al, 1992, p. 25). Nigeria's Federal Government for instance, was granted a credit facility of US\$ 114 million repayable over 35 years to pay for privatisation support, institutional and consensus building, telecoms and power sector reforms and the Lagos State Water Corporation Project (Bureau for Public Enterprises, BPE 2001, p. 22).

Although all these objectives of privatisation apply to most economic sectors, it is important to note that the privatisation of the oil industry is quite unlike that of most other sectors. As Wright (2003, pp. 1-2) notes, upstream oil and gas production have the under-listed characteristics which render the classical privatisation model both inappropriate and ineffective:

- i. The issue of ownership is more complex in the case of the oil and gas industry due to its dual dimensions of sovereign ownership of an exhaustible natural resource and public and private sector involvement. Privatisation of oil and gas SOEs does not generally transfer ownership of the resource to the private sector. Rather, it means opening up access to the resource to the private sector either in the form of a full or partial privatisation of the SOE or allowing greater private sector participation in the industry alongside the SOE or both.

ii. The role of the market and competition are a priori compromised in the case of the oil industry because the prices of oil and gas are determined in the international marketplace, which is characterised much more by the deployment of power than by market forces. Moreover, oil producing countries have different objectives. For those oil producers whose production is mainly for export (like Nigeria) lower prices for consumers is usually not an objective, while those producers whose production is mainly for domestic consumption are usually more concerned with downstream tax revenue than with lower final prices.

iii. Regulation is not the agenda since the objective of upstream liberalisation is to reduce the regulatory burden, particularly as far as tax instruments are concerned.

Wright (2003, p. 2) argues therefore, that the particularity of liberalising upstream oil and gas production is captured by the drive to liberalise fiscal regimes, presented as a precondition for achieving non-oil and gas-related objectives like addressing scarcities of investible funds and technological know-how, creating employment and seeking to improve balance of payments positions. Privatisation in the context of the Nigerian oil industry so far has been by way of opening up access to the resource to the private sector via the privatisation of the SOEs in the downstream sector of the industry and allowing greater private sector participation in the industry alongside SOEs yet to be privatised. The State however, still owns the oil and natural gas resources, through the Nigerian National Petroleum Corporation (NNPC).

Three questions arise from the objectives of privatisation discussed above, as follows: Are all of these objectives relevant to all privatisations? Do these different motives have different implications for industrial relations? Which of these objectives are most significant in Nigeria's privatisation?

With regard to the first question, it is important to note that Vickers and Wright



(1989) and other authors cited above are not arguing that all objectives of privatisation are universally relevant to all privatisations. Secondly, the different objectives of privatisation portend different implications for industrial relations and their consequences for the regulation of employment are bound to vary from one privatisation programme to another. Thirdly, it is worthy of note that although these objectives are situated within the context of United Kingdom (U.K) privatisation theory, they are useful for an understanding of Nigeria's privatisation of its finance and petroleum industries.

For instance, unlike in the U.K privatisation where the ideological motive of reducing government involvement was an important goal for the Conservative government (see Politt, 1999 for instance) Nigeria's privatisation exercise was not ideologically motivated. However, like in the U.K, the need to increase economic and managerial efficiency is an important objective in Nigeria as evidenced by objectives (i), (ii) and (iii) of the country's privatisation programme discussed below.

The financial objective of reducing the PSBR is equally an important goal in Nigeria, as evidenced by the objectives of her privatisation programme, which are as follows:

- i. To restructure and rationalise the public sector by reducing the dominance of unproductive investments.
- ii. To re-orientate the enterprises for privatisation and commercialisation towards a new horizon of performance improvement, viability and overall efficiency.
- iii. To raise funds for financing socio-economic developments in such areas as

health, education and infrastructure.

iv. To ensure positive returns on public sector investments in commercialised enterprises through more efficient management.

v. To check the absolute dependence on the Treasury for funding by otherwise commercially oriented SOEs and encourage them to source their funding from the Nigerian capital market.

vi. To initiate the process of gradual cession of public enterprises that are better operated by the private sector to the latter.

vii. To create more jobs, acquire new knowledge and technology and expose the country to international competition (Bureau for Public Enterprises, 2000, pp. 66-67).

Objectives (iii) to (v) were major motives for the privatisation of UNIC Insurance, FBN Plc, Conoil Plc and other SOEs so far privatised in the country. However, the political objective of reducing the power of trade unions that was important in the British case is not an important objective of Nigeria's privatisation, as evidenced by the fact that no privatisation-related labour legislation was enacted by Nigeria's government to reduce the unions' power.

The social objective of promoting distributional equity is an important goal of Nigeria's privatisation where the government allotted 5 percent of the shares of privatised SOEs to the employees and established Zonal Shareholders Associations to cater for the interest of individual Nigerian shareholders. However, the government's aim was not to gain electoral advantage through privatisation since the programme commenced under military dictatorship. There is also no evidence to indicate that the civilian government that succeeded the military gained any electoral advantage from implementing the second phase of the



programme.

These objectives of Nigeria's privatisation have certain implications for the conduct of post-privatisation industrial relations in the country. Objectives (i) and (ii) for instance, imply restructuring; objective (iv) implies a transformation of managerial practices from public sector style to a more professional and commercially-oriented industrial relations, while objectives (v) to (vii) imply expansion, upskilling, technological change and investment. All of these objectives also have consequences for macro level change in ownership and control, structure of the firm and the nature of the product market competition which in turn, impact on micro level changes in industrial relations after privatisation. It is important therefore, to examine the theoretical consequences of privatisation in order to assist the current study's evaluation of the implications of privatisation for employment relationship in the privatised case study SOEs that constitutes its focus.

#### 1.2.4. The consequences of privatisation

Kikeri and Nellis (2001, p. 7) group the consequences of privatisation into five categories as follows:

- i. Its impact on financial and operational performance at the enterprise level, particularly as it relates to productivity and profitability before and after sale, changes in output, investments, capacity utilisation, etc;
- ii. The fiscal and macroeconomic effects;
- iii. The broader welfare and economic consequences,
- iv. The employment and broader labour market impacts, and;

v. Privatisation's impact on income and wealth distribution.

Generally, the theoretical arguments behind the theory that privatisation can achieve its stated objectives are built around its microeconomic and macroeconomic impacts. As Sheshinski and Lopez-Calva (1999) note however, the theoretical literature on the macroeconomic effects of privatisation is not as rich as that on the microeconomic effects (although few theoretical models try to link privatisation with macroeconomic performance) due to the difficulty associated with isolating the effect of privatisation from other variables that have an influence on aggregate measures. This often results in the observance of certain trends, though with weak causality.

Sheshinski and Lopez-Calva (1999) note therefore, that there is no strong evidence of the effects of privatisation at the macroeconomic level, although it is possible to give an overview of the trends observed in key aggregate variables and relate those to the privatisation programmes that have been implemented. However, it is not possible to attribute the observed patterns of change at the macroeconomic level to privatisation alone since other policy measures like trade liberalisation, fiscal adjustment and tax reform and weakening of controls to capital inflow are implemented simultaneously with privatisation. At the microeconomic level on the other hand, the empirical evidence strongly supports the theory that privatisation has positive effects on profitability and efficiency, with capital expenditures tending to increase after privatisation, although the evidence on firm level employment is mixed. For large firms, employments seem to rise after divestiture while profitability and performance also increase (Ibid.).

Evidence from the literature suggests therefore, that privatisation has varying

degrees of impact, with the different objectives of privatisation having different implications for industrial relations. Privatisation's impact on trade unions and employment relationship can however, only be better appreciated against a background of a review of the literature on trade unions and employment relationship.

### 1.3. Trade unions and employment relationship

#### 1.3.1. Definitions

In the context of this study, the term, 'employment relationship' (also referred to in this study as industrial relations) is taken to mean "the tacit bargains struck over the exchange of pay, benefits and conditions on the one hand, and work on the other" (Brown, 1988, p.54, cited in O'Connell Davidson, 1993, p. 7). It embraces two main aspects of work: the nature of the tasks that workers undertake, and, the terms on which workers labour power is procured (O'Connell Davidson, 1993).

The terms on which workers' labour is procured depends on their bargaining power. According to Gennard and Judge (1997) the potential relative bargaining power of employees as a group is dependent on a combination of factors. First is the centrality of the group to the workflow, the extent of its organisation, its cohesiveness and solidarity. Next is the degree to which the group can be substituted and the extent to which substitute products or services for those provided by the group are available to the organisation's customers. The group's willingness to exercise its disruptive power and the quality of its leadership are also important considerations. Where the quality of its leadership is high and the group is cohesive, aware of its potential bargaining power, is willing to press home its advantage and has a history of having done so in the past, the group tends to be



in a relatively strong position in its negotiations with the employer (Ibid.).

Trade unions are the best known type of collective employee organisations. Various definitions of the term 'trade union' exist. Sidney and Beatrice Webb (1964) classically define a trade union as "a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives" (Webb and Webb, 1964, p. 1). Rollinson (1993, p. 58), on the other hand, defines a trade union as "an organisation, whether permanent or temporary, which consists mainly of workers of one or more descriptions and is an organisation whose principal purposes includes the regulation of relations between workers of that description and employers or employers association". As the British Trade Union Congress- TUC (1966, 1967, cited in Robertson and Thomas, 1968, p. 36) notes however, unions have always provided and continue to provide a wide range of services for their members which do not involve employers or any outside agency.

In view of its various definitions, the term 'trade union' as it applies in this study is defined as 'a melting pot, an agglomeration of the diverse interests of workers- political, social and economic. It is both a socio-political movement and a moral vanguard and constitutes workers' voice in national and international economic and socio-political developmental processes'. This study's definition of unions is informed by the contemporary nature of their objectives and functions discussed below.

### 1.3.2. The objectives of trade unions

Three major trade union objectives are identifiable in the literature, as follows:

i. The economic objective

According to Gennard and Judge (1997) as economic actors, trade unions manage the internal employment relationship of an enterprise between their members and capital (represented by management) in their members' favour, act as a channel through which the effective issues concerned with the employment contract are handled and legitimise decisions jointly reached via negotiations with management. Essentially, unions protect their members' jobs, seek the objectives of full employment, improvement on pay and other conditions through collective bargaining.

ii. The political objective.

According to Muller-Jentsch (1988, cited in Fairbrother, 2000, p. 5) in their capacity as political agencies, unions are 'intermediary organisations' positioned as collective organisations representing workers to employers and the state. This objective, as Fairbrother (2000) argues, is predicated on an assumption that trade unions are organisational entities which (theoretically at least) are distinct and separate from the state and employers, although union representatives may enter into alliances with the state or employers or be drawn into co-operative relationships at both employer and state levels.

iii. The social objective

According to Gennard and Judge (1997) unions provide social and welfare benefits to their members like educating their members on unionism, economic, social and political matters, in addition to counselling and the provision of legal aid.

Arising from the above-mentioned objectives is a set of complementary functions-

economic, political and social. According to Robertson and Thomas (1968, p. 36) these can be classified into five major categories as follows:

i. Industrial activities

Robertson and Thomas (1968) identify three main industrial activities. First, unions maintain or advance terms and conditions of employment. This role includes both the obvious terms of employment- wages, hours of work, etc., as well as the nature of the contract of employment and the procedures to be followed in amending it, i.e. both procedural and substantive issues in the employment contract. Secondly, unions safeguard and increase the employment opportunities of their members. As Fairbrother (2000) notes however, this role of unions has come under increasing threat in the face of the changing terrain of workplace unionism, which includes downsizing by corporations, the fragmentation and re-institutionalisation of the state sector, the closure and/or relocation of enterprises, and the reconfiguration of managerial hierarchies. Thirdly, unions engage in the conduct of industrial disputes through recognised machinery that may sometimes involve the use of the strike weapon and raise and disburse funds in this regard. Unions in Nigeria engage in all three industrial activities.

ii. Benefit and welfare activities

According to Robertson and Thomas (1968) unions engage in the provision of unemployment and sickness benefits, legal aids, educational facilities, etc., to their members. Though the development of State welfare provision has clearly reduced the importance of this function in the advanced economies of the West, it remains an important role for most unions in the developing nations. Nigerian unions however, do not provide unemployment and sickness benefits to their members.



iii. Increasing workers' participation in the control of industry

According to Robertson and Thomas (1968) in most countries, trade unions advocate nationalisation and state control of the means of production as an indirect means of workers control. Where this is not attainable, unions demand the right to be consulted where appropriate.

iv. Political activities

The political activities of unions (including Nigerian unions) are expressed in the form of 'indirect' or 'direct' actions or a combination of both. Indirect action takes the form of lobbying members of existing political parties or in the case of developing countries plagued by military rule, lobbying either the ruling junta or influential members of the Armed Forces. Direct political action takes the form of either an alliance with a political party largely financed by the union or the establishment of a political party by the union (Ibid.).

v. Watchdog activities

Unions serve as the main pressure group. Such actions, as Robertson and Thomas (1968) note, take place at all levels of the trade union movement with unions acting individually, in groups or through their umbrella organisation against local authorities and the national government.

The role of trade unions is however, much more dynamic than the appraisal in the preceding paragraphs tend to indicate since changes in the overall environmental context of the firm (like privatisation) impact on the role of unions in different ways. Trade unions' responses to privatisation derive from their different perception of its impact on their members, structures and their political agenda which supports government ownership of public enterprises. There is a need

therefore, to appraise the theoretical debate on the impact of privatisation on unions and employment relationship in privatised SOEs, as presented by existing literature, below.

#### 1.3.3. The impact of privatisation on trade unions and employment relationship

According to Clegg (1979) and Fogarty (1986) both cited in Ogden (1994, p. 70) before privatisation, industrial relations in most SOEs are characterised by:

- i. The recognition of trade unions and the promotion of collective bargaining;
- ii. A high density of trade union membership;
- iii. Detailed national agreements regulating pay and conditions of service;
- iv. A highly formalised and elaborate system of joint consultation and a commitment to being a good employer.

This framework of public sector industrial relations changes after privatisation. As Ferner and Colling (1991, p. 391) note, there are three consequences of privatisation for the industrial relations of former SOEs as follows:

- i. The ending of direct political control
- ii. The creation of a regulatory framework , and,
- iii. The replacement of a ‘political’ orientation by a ‘shareholder’ orientation.

Generally, changes in the industrial relations of most privatised SOEs revolve around improving labour productivity through greater flexibility, improved training and new payment structures that are more performance-related and are accompanied by changes to established industrial relations practices such as single-table bargaining, and harmonisation of pay and conditions (Ogden, 1994, cited in Ferner and Colling, 1991, p. 391). As Ogden (1994) notes such changes

are driven by the need to achieve improvements in efficiency and a determination to distance the new organisations from their previous style of industrial relations, and portend significant consequences for management strategies and industrial relations in the emerging companies.

Ferner and Colling (1991, p. 391) ascribe the gradual erosion of the classic institutions of public enterprise industrial relations after privatisation to the under-listed reasons:

- i. The weakening of trade unions' ability to use political strategies as well as industrial ones.
- ii. The emphasis on flexibility, quality and workforce commitment which leads management to de-emphasise traditional channels such as the joint consultation machinery, while concentrating more on direct communication with the workforce.
- iii. The devolution of managerial responsibility to 'profit-responsible' business units, which encourages less reliance on highly centralised bargaining relationships with national union officials, and,
- iv. The reduction of the coverage of collective bargaining in some privatised enterprises by the 'creeping de-recognition' of managerial and professional unions for collective bargaining purposes and under which managers are offered incentives to move on to personal contracts.

Ferner and Colling (1991) conclude however, that the predictive changes in the industrial relations of privatised enterprises are by no means universal, since some experience stormy industrial relations while others have a peaceful time negotiating changes. They note that what appears to be emerging in privatised



enterprises in the U.K is a dual pattern of industrial relations. In the core business, the traditional industrial relations ethos of public enterprises persists on the whole or reasserts itself after a period of instability with well organised unions (at least for non-managerial staff), strong bargaining relationships and management by agreement, with a new and changing culture of industrial relations emerging in the new areas of business.

Zanker (2001, pp. 7-9) summarises the consequences of privatisation for employees and trade unions under two main categories as follows:

i. Consequences arising from reorganisation

According to Zanker's (2001) privatisation often entails a comprehensive restructuring of the enterprise involved via concentration on core business areas, dividing the enterprise into partially independent units, closing unprofitable locations, introducing new performance-oriented personnel management and other management methods, adopting comprehensive cost reduction measures (particularly with regard to staff costs) and introducing performance-oriented pay structure.

ii. Consequences arising from the transition to a new framework on industrial relations and working conditions

According to Zanker (2001) privatisation involves the catapulting of erstwhile SOEs from the framework of the "public service" (with major effects on industrial relations and working conditions) and often involves moving from a public sector collective bargaining to a private sector bargaining framework. It results in the replacement of civil servant status (characterised by life tenure) by an employment contract, the replacement of public sector pay structure (linked to career paths and

formal qualifications, etc.) by private sector pay structure (often-times performance-related), the shift to a new professional requirement with respect to the skills and qualifications of the staff and a new preference for commercial skills and a strong customer-orientation.

Zanker (2001) concludes that privatisation (like other liberalisation measures) also has implications for trade union structures and involves a metamorphosis by unions from sector-wide unions to industrial unions, resulting, in some cases, in non-unionisation of the employees. Zanker notes however, that privatisation's impact on employees cannot be attributed to any policy alone since each policy has an inter-dependent effect on others.

The predictive impact of privatisation on trade unions and employment relationship has elicited two different perspectives in the privatisation literature. As Cook and Murphy (2002) note, critics of privatisation contend that the policy is anti-labour unions and most (if not) all workers, shrinks the public sector (especially in the developing countries) in which workers have achieved the highest levels of organisation and wages, job security and decent working conditions, results in layoffs and downsizing, erodes other protections or removes them from the labour codes, increases the repression of workers, weakens trade unions and results in negative distributional effects and the growing abuses arising from the weakening and non-monitoring of labour standards.

Proponents of privatisation, on the other hand, argue that it is a necessary antidote to bloated, inefficient, and debt-ridden public sectors, organised public sector workers (who seek rents from the state via overstaffing, generous pay and benefits, and restrictive and inflexible labour contracts, block efficient allocation of economic resources and crowd out social spending on the unorganised poor) and



wasteful subsidies but stimulates economic recovery and growth (Ibid.). Cook and Murphy (2002) note however, that the empirical results on the impact of privatisation are at best mixed, although both proponents and advocates of privatisation agree that it has real costs for organised labour.

According to Pendleton (1999, cited in Arrowsmith, 2003, p. 150) the theory of privatisation commonly used by its advocates and critics draws on Agency theory to predict that a change in ownership would lead to wide-ranging changes in employment and pay because of the requirement of profit maximisation. As Arrowsmith (2003) notes, pressures from shareholders and regulators would require managers to cut costs and improve efficiency by driving changes to working patterns, employment levels, and terms and conditions of employment. Ferner and Colling (1991) note in this regard that the new competitive post-privatisation environment results in considerable diversity in both the speed and scope with which management pursues innovative policies, with some privatised SOEs experiencing massive cutback in employment, deteriorating pay and conditions, and a worsening industrial relations climate.

They argue that privatisation allows new forms of direct communication with the workforce represented by the growing use of personal contracts, performance and profit-related pay, etc, calls into question some of the traditional aspects of industrial relations and poses serious strategic dilemmas for trade unions. Moreover, management's attitudes to unions in some privatised enterprises are influenced by the perceived expectations of shareholders, with some management harbouring the desire for a union-free environment. However, changes in industrial relations are not necessarily confined to privatised enterprises and may not necessarily be a product of privatisation, while changes in the overall environment



of trade unions are by no means universal in their nature and implications since diverse environmental factors impact upon trade unions and make a contextual appraisal of any trade union that is the focus of a study necessary (Ibid.).

As Cook and Murphy (2002) note therefore, evidence from the privatisation literature tends to suggest that its impact on employment and social welfare varies for various countries and sections of the labour force. Unions' response to privatisation policies also vary and are shaped in complex ways by the structure of the national labour movement and their relationship with both the State and other social and political movements. According to Cook and Murphy (2002) privatisation has implications for the organisation and solidarity of labour movements and for the forms of organization that best protect workers, with singular, national confederations better positioned to resist or negotiate the terms of privatisation schemes, while decentralized unions are able to respond more quickly to situations in individual plants or industries and may better serve the interests of workers after privatisation has been implemented.

The mixed conclusions of the privatisation literature about its impact on trade unions and industrial relations raise a need for critical reflection on such consequences. For instance, while Clarke (1987) argues that although privatisation may lead to a rapid contraction in number of employees and a swift reform of antique restrictive practices, the prospects for employees in privatised organisations will be enhanced, Nichols (1986) and Heald and Morris (1984) argue, on the other hand, that privatisation results in the reduction of trade unions' powers and abruptly reverses the official promotion of public sector trade unionism as one of the basis for sound public sector industrial relations.

Ogden (1990, cited in O'Connell Davidson, 1993, p. 57) argues in a similar vein that privatisation reduces the power of public sector unions by making management more cost conscious in responding to trade union claims and providing opportunities for dismantling national (collective) agreements. According to O'Connell Davidson (1993, p. 57) in virtually all the industries and services that have been privatised in the U.K for instance, there has been a shift "away from the national-level negotiating, away from a 'constitutionalist' approach towards industrial relations". O'Connell Davidson (1993) notes also that the increasing substitution of contract labour for direct labour after privatisation reduces union membership and control in the workplace.

According to Blyton and Morris (1991, cited in O'Connell Davidson, 1993, p. 128) privatisation results in substantial alteration of the organisation of work as well as tacit agreements reached over the wage effort bargain by facilitating changes to payments and work allocation (by management that pursue flexibility through deskilling, casualising work, or 'upskilling' jobs) and initiating integrationist labour policies, the growth of part-time employment, changes in industrial relations practices regarding contracts and pay determination, the application of new technologies, the removal of statutory regulations governing the labour market and the use of legislation, etc, in order to reduce trade union powers.

#### 1.3.4. Conclusion

It is evident from the preceding analyses that the impact of privatisation is context-specific. The nature of government intervention, for instance may depend largely on its perception of trade unions' role as dictated by its ideological orientation. Moreover, the predictive reduction in the power of unions may not be a product of



privatisation alone but could be due to a combination of factors like intra-union crisis, national economic policies like structural adjustment programme (SAP), changes in labour legislations, etc. The argument that privatisation results in a reduction in staffing levels may also not be universally applicable (see Gupta et al, 2003, for instance).

Moreover, in addition to changes there may also be continuity in some aspects of industrial relations. Pedersini (2001) notes for instance, that despite the observed general tendencies in post-privatisation European industrial relations, it is not possible to say that industrial relations within specific companies have necessarily changed because elements of both change and continuity are present within such companies. Pedersini therefore advises on the need to distinguish between developments within the specific companies undergoing privatisation and changes that may be taking place in the sectors concerned or even at national level.

Trade unions' experiences of privatisation also vary from one country and sector to another. According to the International Labour Organisation (ILO, 1997) privatisation generally affects unionisation, bargaining patterns and collective agreements, but the results are fairly mixed. In countries where public sector workers or specific categories of them have more limited union rights and, in general, lower labour standards than employees of private companies, privatization may well bring improvement. But in a good number of cases, unionisation and industrial relations come out weakened from privatisation and restructuring processes.

According to the ILO (1997) national political contexts and habits play a key role in determining the pattern of industrial relations, even after privatization. For



instance, as Alexander (2002) notes in the case of Tunisia, Algeria, and Morocco (which share broad cultural affinity, earlier development strategies that created large public sectors and unions that had played important political roles despite their authoritarian environments) differences in the organisation of labour and in the history of state-labour relations across the cases shaped labour's differing responses and outcomes. In all three North African cases, trade unions' exclusion from privatisation policy-making led to varying degrees of worker militancy, tendencies towards labour fragmentation and the formation of new unions (Ibid.).

Jiyad (1996, p. 15) on the other hand, concludes that privatisation seems not to have led to redundancies in Egypt and Morocco due to the arrangements agreed upon with the new owners of the privatised companies under which workers in privatised enterprises in both countries were allowed to keep their jobs for a transitional period (three years in Egypt and five years in Morocco). In Morocco, some of the privatised firms actually increased employment while in Tunisia 3,580 employees (26 percent of the labour force) lost their jobs, although a majority of them disengaged voluntarily through early retirements and generous severance pay (Ibid.).

A number of questions ( fundamental to this study) arise from the analyses in this section, as follows: Are the predictive impacts of privatisation on trade unions and employment relationship appraised above universal? If the answer is yes, do all trade unions share similar privatisation experiences or are the experiences conditioned by different environmental, structural and institutional variables? What factors other than privatisation are responsible for the observed changes in trade unionism and industrial relations after privatisation? Attempts will be made

to answer these questions in chapters four, five and six of this study.

Suffice to note for now like Kikeri and Nellis (2001, p. 9) that one of the biggest issues in evaluating privatisation lies in comparing its outcome with the counterfactual, i.e. “what would happen in the absence of privatisation”. As Dewenter and Malatesta (1997) and Hodge (2000) (both cited in Kikeri and Nellis, 2001, p. 10) note for instance, change could have occurred due to changes in management or economic factors or both or due to timing, i.e. some of the change may occur before privatisation due to the ‘announcement effect’ rather than privatisation.

Generally, according to the privatisation literature, problems arise in privatised SOEs over political issues as well as changes in the under-listed aspects of the employment relationship:

- i. The balance of bargaining power
- ii. Joint consultation or collective bargaining
- iii. Wage negotiations
- iv. Downsizing (particularly as it relates to union membership loss), and;
- v. New disciplinary and grievance procedures (See Ferner and Colling, 1991, O’Connell Davidson, 1993, and Ogden, 1994, for instance).

These factors constitute the adopted analytical variables of the current study and are defined below.

#### 1.4. The current study’s analytical variables

A summarised review of the context in which these adopted analytical variables are applied in this study is conducted in this section as follows:



#### 1.4.1. The balance of bargaining power

This term refers to the balance between measures of employers' and trade unions' power. There are various definitions of bargaining power in the literature on the subject matter. Katz and Kochan (1992, cited in Singh and Dannin, 2002, p. 5) for instance, define bargaining power as the ability of one party to achieve its goal in bargaining in the presence of opposition by another party to the process. Seen in this context, according to Singh and Dannin (2002) bargaining power is perceived in terms of microeconomic factors like strike leverage, i.e. the degree to which workers and employers are willing to and have the ability to withstand a strike.

Singh and Dannin (2002) however, view bargaining power solely as a consequence of economic circumstances. They posit that employers will have higher strike leverage (and more power) if the effects of the strike on production, sales and profits are inconsequential, while unions will have higher strike leverage (and more power) if employees have an alternative source of income and unwavering workers solidarity. Strike leverage (and power), according to these authors, also depends on macroeconomic factors like wage flexibility over the business cycle and income policy, with unions, for example, at a disadvantage during economic recessions and under wage and price controls but at an advantage under economic buoyancy and a flexible wage regime. Martin and Thomson (1992, cited in Singh and Dannin 2002, p. 5), on the other hand, view bargaining power as a product of factors like product market power, characteristics of the firm such as the size of its employment unit, and non-economic forces such as the political and legal environment.

Cook and Murphy (2002) note however, that the political context in which privatisation takes place influences the propensity of workers to resist sell-off



schemes and the forms such resistance might take. Moreover, the relationship between labour unions (and between their leaders and their rank-and-file) also matters greatly, same as the presence or absence of genuine partisan political competition. For example, in democracies where unions provide key support to governing political parties or coalitions they tend to exercise the greatest influence on the privatisation programmes, although even this influence produces dramatically different outcomes. Where privatisation is initiated by authoritarian governments however, labour's response depends partly on whether union leaders have been co-opted and whether the rank-and-file have been repressed. Co-opted leaders tend to focus their energies on bargaining over benefits and transitional aid for displaced workers, and are at risk of losing credibility with their membership. Where repression is not extreme, workers who are affected most directly by privatisation may respond more assertively than their unions (Ibid.).

Jennifer Smith (1996, pp. 8-20) identifies certain microeconomic variables as important for the measurement of the balance of bargaining power. On the part of the firm, according to Smith (pp. 12-15) these include:

i. The firm's liquid assets

The size of the firm's liquid assets in relation to fixed costs- overheads (e.g. heating, lighting, storage, and support staff), hiring charges on leased equipment or interest payment on debt- is important in determining the firm's bargaining power relative to the union. According to Smith (1996) the greater the firm's liquid assets are in relation to fixed costs, the easier it is for the firm to continue to meet its financial commitments during a stoppage. Greater liquid assets, according to Smith (1996) might raise bargaining power and reduce wages.

ii. The firm's inventory

Higher stocks enable the firm to better survive a stoppage and increases its negotiating strength while the firm's holding of inventory (or inside option) is the income from temporary arrangements that keep the business running. The higher the value of the stocks, the longer the firm can last before the effects of lost production manifest in terms of reduced sales and profits (Ibid.). Smith (1996) argues that larger inventories should increase bargaining power and reduce wages and vice versa. The higher the level stocks of finished goods, the greater the firm's ability to survive a temporary work stoppage and the greater its bargaining power and, by extension, its ability to resist workers wage demands, although a high level of inventories might also be indicative of a reduced demand for the firm's product and as a result, might induce workers to accept a lower pay settlement. It is worthy at this stage to note the fact that for non-manufacturing concerns like banks and insurance companies, the firm's inside option cannot be represented by its inventory of stocks. The deposits base of banks and the net premiums of insurance companies are more relevant and will be employed for this study's analyses of the finance case studies.

iii. The level of capital intensity

According to Smith (1996) workers in capital intensive firms receive higher wages. Capital intensity therefore lowers a firm's bargaining power by raising (rental or interest) costs during a temporary stoppage.

On the part of trade unions, Smith (1996, pp. 15-18) identifies the under-listed factors as important for measuring the balance of bargaining power between unions and employers:



iv. The identity of the trade union

According to Smith (1996) workers' bargaining power equally depends on features specific to the main trade union involved in bargaining such as the size of its membership, its reputation, financial strength or information and the number of unions involved. More unions bargaining together increase negotiating strength while unions might have greater bargaining power with higher total membership as a result of better finance, information and reputation.

Rainsberger (2003) notes in the same vein that bargaining power is a reflection of the internal dynamics of the union as much as it is a function of its relationship with relevant employers, although the power of a bargaining committee relative to the employer is affected by the capacity of the committee to operate on a solid base of membership support. As Gennard and Judge (1997) equally note, where a trade union is cohesive, aware of its potential bargaining power, is willing to press home its advantage, and has a history of having done so in the past, the group tends to be in a relatively strong position in its negotiations with the employer. Equally important in this regard is the notion of union mobilising potential since issues change over time and the bargaining agenda also changes. For example, job losses are less important in sectors where the unemployment/vacancy ratio is low same as health and safety issues generally have low mobilising potential except there is a major health or safety issue like a train crash, for instance. Mobilising potential is, therefore, not static but depends on the bargaining agenda.

v. Union density

Smith (1996) notes that the greater the proportion of the workforce who are members of a union, the more damage the union could inflict on the firm by a strike and therefore, the less willing the firm might be to pursue a bargaining



strategy that could induce a stoppage. Union density (or the ratio of unionised to non-unionised workforce) affects the bargaining parties' relative power through its effect on the firm's inside option (i.e. the income from temporary arrangements that keep the business running) which varies positively with the firm's holding of inventory and can be used to buffer the firm against the effects of a strike.

vi. The existence of alternative wage for union members

The existence of alternative wage in the form of a strike fund is also important for measuring a trade union's bargaining power. As Smith (1996) notes, in case of a delay in reaching an agreement due to a strike action, union members might receive income from union strike funds or from temporary employment elsewhere or from the income of the striking worker's household (which represent measures of the trade union members' 'inside option' wage- the sample annual average wage that can be used as a measure of 'inside option' wage). In cases where workers are unwilling to seek alternative employment outside their regions during strike-related delays, the prevailing average wage in the worker's region might be more influential as a measure of 'inside option' wage'. As Visser (2000) notes however, two important conditions relate to unions' ability to influence layoffs and re-hiring decisions, and hence, their ability to check loss of membership. These include the presence of unions in the workplace and the organisation of unemployment insurance.

vii. The macro level vacancy/unemployment ratio

According to Smith (1996) the probability of getting an alternative wage is inversely related to the ratio of vacancies to unemployment. The greater the number of job positions that require filling in relation to the number of applicants for those jobs, the greater the chances of a striking worker finding temporary

employment. A higher vacancy/unemployment ratio is associated with higher union bargaining power and higher wages, and vice versa. An increase in the proportion of the unemployed who have been without a job for more than one year also has implications for wages. According to Layard and Nickell (1986, cited in Smith, 1996, p. 11), for a given unemployment rate, an increase in this category of unemployed will have a positive effect on the bargained wage and the expected value of the employees 'inside option'.

For our analytical purpose in this study, Smith's model of bargaining power will be adopted alongside other relevant variables (discussed below) that are equally important for measuring bargaining power.

viii. The economic centrality of the industry/sector

As Singh and Dannin (2002) note, under certain conditions, non-economic forces such as the political and legal contexts are more important determinants of bargaining power. In this Author's opinion, the economic importance of the industry/sector in which a work stoppage occurs, in terms of its contribution to a country's economy (i.e. its contribution to national revenue and Gross Domestic Product- GDP) is equally important for measuring bargaining power, as this determines to a large extent, the political leverage unions are able to exert in the course of negotiations. This factor is particularly significant in the case of developing economies that rely heavily on mono-cultural industries or economic sectors for a majority of their national revenue. In such economies, where the country depends on a particular industry for most of its revenue, both government and employers are likely to compromise more with unions in order to minimise the incidence of strikes and work stoppages in that particular industry.



Where the sector or industry is strategically central to an economy, union bargaining power in the sector/industry derives more from political leverage and may not reflect the conclusions of market measures of bargaining power and vice versa. The Nigerian economy which, for instance, relies on the oil industry for between 90 and 95 percent of foreign exchange earnings and nearly 80 percent of government revenues (Johnson, 2003, p.1) is an example of such economy.

ix. The political context of bargaining

There is a political and market structure to privatisation. As Beckman (2002) notes, politically unions are instrumental in disseminating notions of individual and collective rights and the need for representation and bargaining to other groups in society. Trade unions forge alliances with other groups in society (with whom they share common interests) in order to influence the political process because they are not convinced that market forces alone will resolve the problems of mass unemployment without efficient state interventions aimed at combating waste and corruption and the promotion of accountability.

Beckman suggests therefore, that a high level of institutionalisation (i.e. a widely accepted and well consolidated union-based labour regime) enhances union bargaining power, although the scope for union intervention in the politics of most African countries varies with the nature of the state and state-society relations, as influenced by political experiences, colonialism, wars, social divisions, civil strife, militarism, dictatorship, foreign intervention, etc., and affects the way industrial relations is regulated.

x. The legal context of bargaining

According to Singh and Dannin (2002) this refers specifically to the prevailing legislations that establish the rules of the game between unions and employers on



the one hand and employers and employees on the other hand, particularly as they relate to the right to organise and bargain collectively, union recognition, the process of collective bargaining itself, as well as the grievance procedure, dispute resolution and arbitration. According to Cook and Murphy, 2002, the nature of the regime in power influences the type of legislation the government enacts to regulate industrial relations and moderate the balance of power between trade unions and employers. Where the regime is a democracy, it encourages consultation and dialogue under the rule of law. A military dictatorship, on the other hand tends to regulate the industrial relations process by fiat with intimidation, repression and confrontation the hallmark of state industrial relations policy.

#### 1.4.1.1. Empirical measurement of bargaining power

It is worthy of note at this stage that disciplinary procedure and communication are not central to the measurement of bargaining power and will not be employed as analytical variables in this study. It is equally important to note that other factors discussed above do not translate on their own into empirical measures of bargaining power. The question therefore, is: how can these analytical variables translate into empirical measurements of bargaining power? Scott M. Fuess, Jr.'s (2001, p. 5) formula for measuring bargaining power will be adopted in this study in order to translate these factors into empirical measures.

Scott M. Fuess, Jr. (2001, p. 5) advocates a formula that is based on the premise that organised labour can be considered more powerful the closer it comes to obtaining its initial demands. In order to gauge a union's power to influence a contract to its liking, the author compares the settlement (or contract) wage with the union's original demand. The more the leverage a union has in bargaining, the

closer the contract wage (**w**) will be to the union's demand (**d**). So union leverage (?) can be indexed as:

$$? = (\mathbf{w}/\mathbf{d}) \times 100.$$

According to Scott M. Fuess (2001, p. 8) if unions and firms have routinely achieved harmony in their wage negotiations, ? will be fairly steady over time. However, if consensus is realised simply by splitting their differences, ? = 50, meaning unions obtained half of the amounts demanded. If, on the other hand, unions are not keen to press their demands, ? < 50. If union leverage is eroded along with the decline in union density, then ? should fall for the latter years of the sample. Every time contractual pay growth falls by at least one percent, union power is assumed to have dropped. Conversely, union leverage improves every time pay growth accelerates by at least one percentage point.

In the opinion of this Author, Scott's M. Fuess Jr.'s (2001) formula is only relevant for an empirical measurement of bargaining power within the context of market forces. It will therefore, be adopted in this study to empirically measure post-privatisation bargaining power in Nigeria's finance and petroleum industries under market conditions, although cognisance will be taken of political and legal factors. For the pre-privatisation period where decisions at the enterprise level are based more on non-economic factors, political and legal factors will be used as basis for measuring the balance of bargaining power, with due cognisance taken of relevant macroeconomic factors.

#### 1.4.2. Collective bargaining

Simply defined, collective bargaining is the negotiation of work conditions on behalf of workers and employers by their respective organisations at different levels- the firm level, the industry level and the regional/national level (Aidt and



Tzannatos, 2002). According to Aidt and Tzannatos (2002, p. 81) the importance of collective bargaining can be measured by union density, i.e. “the number of workers who are members of a union, as a percentage of all workers or total labour force unionised and non-unionised” and bargaining coverage, i.e. “the number of workers, unionised or not, whose pay and employment conditions are determined by a collective agreement, as a percentage of all workers, unionised and non-unionised”.

According to Rainsberger (2003) collective bargaining is said to be centralised when national union confederations and the national employers’ organisations can influence and control wage levels and patterns across the economy. The author notes however, that not all local unions approach the collective bargaining process with the same scope of institutional power because in some cases a local union may be responsible for all aspects of the bargaining process while the national (or international union) fills only an advisory, consultative or oversight function. In other cases, the bulk of the contract may be negotiated at the national (or international) union level with a relatively narrow scope of bargaining left to local union negotiators.

Privatisation, as noted earlier in this chapter, has implications for collective bargaining. As noted in section 1.3.4, the ILO (1997, p. 14) for instance concludes that privatisation generally affects unionisation, bargaining patterns and collective agreements, although the results are fairly mixed.

#### 1.4.3. Union membership size and finances

Evidence from the privatisation literature suggests that conceptually, privatisation can lead to a reduction in an enterprise’s workforce (i.e. employment) in the short-run due to the elimination of redundant labour (see Gupta et al, 2003, p. 3, for



instance). According to Sheshinski and Lopez-Calva (1999, cited in Gupta et al, 2003, pp. 3- 4) over the medium-to-long-run period, employment may increase alongside efficiency gains at the microeconomic level and increased stability at the macroeconomic level.

Gupta et al. (2003) however, argue that in analysing the impact of privatisation on labour, a number of factors need to be taken into consideration. First is the fact that the adverse impact of privatisation on employment may seem small as layoffs may have been made prior to restructuring. Secondly, new ownership and management may lead to an expansion of activities in the privatised enterprises and thereby lead to an increase in the workforce over time. This suggests that over the three periods- the pre-privatisation, the privatisation and the post-privatisation periods- the level of employment in the firm could follow a U-curve, declining during the first two periods and increasing at some point during the third period (Ibid).

#### 1.4.4. Wages

In the literature on wages, a distinction is made between money wages, real wages, and labour costs. The ILO (1987, p. 4) defines money wages as payments in cash which workers receive for their work, while the goods and services workers buy with wages are known as “real” wages. The total value (in money terms) of the wages paid by an employer, together with other payments he makes in employing workers (like social security payments and training expenditures) are his labour costs and constitutes part of the total cost of production. According to the ILO (1997, p. 13) however, the impact of privatization on the pay of employees is less clear. For some occupations and grades employees’ pay may decline, while for others it may increase and in others no change in pay occurs.

A much clearer and common feature of post-privatisation pay, according to the ILO (1997) is the move towards more flexible and individualized remuneration systems, in which larger portions of pay are determined by personal performance or the firm's profits. Gupta et al. (2003) note equally that privatisation can have adverse impact on salary levels and structure, working conditions and pay supplements and that for SOEs, privatisation tends to reduce employment and wages, at least initially. Over time, however, if a privatised enterprise can expand its activities and increase its efficiency, employment and wages are likely to increase.

#### 1.4.5. Grievance/Disciplinary procedures

In almost all cases of privatisation in both developed and developing economies, unions embarked on strike actions. According to the Open World Conference of Workers (2002) for instance, privatisation-related strike actions occurred in several African nations. For example, in South Africa, the Congress of South African Trade Unions (COSATU) called for a powerful general strike against privatisation in August 2001. In Algeria, the General Union of Algerian Workers (UGTA) embarked on general strikes against privatisation in 2003. Privatisation-related strikes also occurred in Benin Republic, Burkina Faso, and Senegal (Open World Conference of Workers, 2002, downloaded from <http://www.owcinfo.org/africa/New%20Conference%20Appeal.htm>).

Trade unions and management in unionised companies negotiate grievance/disciplinary procedures at the level of the firm. The negotiated items usually allow for any party not satisfied with the outcome of the internally mediated grievance to declare a trade dispute. Where a trade dispute is declared, it is regulated by the provisions of the relevant national laws. In some countries, management and the



unions are obliged to deposit any collective agreement for the settlement of disputes with the relevant agency.

#### 1.5. The current study's objectives

It is important to observe at this stage that the conclusions on the predictive impact of privatisation discussed in this chapter are derived largely from Western literature. Very little empirical work has however, been done on the impact of privatisation on trade unions and employment relationship, particularly in developing African countries, which suggests a gap in the literature. This study's objective is to contribute towards broadening knowledge in this under-studied area.

A survey of the privatisation literature by this Author reveals that most studies on privatisation focus on its theory and/or policy impact (See Kay, 1986, Letwin, 1988, Vickers and Wright, 1989, Price Waterhouse, 1989, Sheshinski and Lopez-Calva, 1999, Noland, 1999, Littlechild, 2000, Organisation for Economic Co-operation and Development- OECD, 2000, Brickley and Van Horn, 2000 and Megginson and Netter, 2001, for instance) while most studies on its policy impact examine either its macroeconomic or microeconomic impact.

A second category of studies use single or multiple case studies of privatised organisations or sectors to elicit its macro and micro policy impacts, or its impact on efficiency, firm performance, productivity, structure and managerial functions in the privatised SOEs or sectors (see Parker, 1997, Martin and Parker, 1997, Ishikawa, 1998, Hulsink, 1999, Cox and Parker, 1999, Frydman, Gray, Hessel and Rapaczynski, 1999, Brickley and Van Horn, 2000 and Tian, 2000, for instance). A third category of privatisation studies focuses on countries/economic regions (see

Cook and Kirkpatrick, 1988, Ramanadham, 1989, Vickers and Wright, 1989, Majundar, 1999, Pedersini, 2000, Boardman, et al., 2000 and Megginson and Netter, 2001, for instance).

A fourth category of privatisation studies evaluate the effects of government versus private ownership (see Peltzman, 1971, Kole and Mulherin, 1997 and Megginson and Netter, 2001, for instance) with a fifth category of studies focusing on privatisation's impact on equity, i.e. its distributional effects (see Ramanadham, 1989 and 1995, Chisari, et al., 1997b for instance) while a sixth category of studies focuses on methods of privatisation (see OECD, 1993 and 1997, for instance). A seventh category of studies involves country-specific surveys of privatisation within a historical time-frame (see World Bank, 1995, Politt, 1999, Megginson and Netter, 2001 and Parker, 2004 for instance).

Yet another category of studies focuses on privatisation's impact on industrial relations and trade unions. Although growing, compared to other categories of privatisation studies however, these are relatively few (See Ferner and Colling, 1991, Colling and Ferner, 1995, Pendleton 1999 cited in Arrowsmith, 2003, op cit, and Fairbrother, et al., 2002, for instance). Most of such studies use single case studies to evaluate privatisation's impact on industrial relations as the principal method of analysis (see Colling, 1987 and 1991, Pang Bing- hung, 1993 and O'Connell Davidson, 1993, for instance) while a few study countries or regions (see Pedersini, 2000 for instance) or different sectors of an economy (see Arrowsmith, 2003, for instance).

A small number of studies have attempted to break new grounds by evaluating the impact of privatisation on unions, as opposed to studies that focus largely on



management's perspective (see Colling, 1987, Miller, 1992, ILO, 1997 and Pedersini, 2000 for instance). The current study is an attempt to evaluate privatisation's impact on industrial relations from both management and trade unions' perspectives within a country-specific, cross sectional context.

According to Sheshinski and Lopez-Calva (1999) most empirical research on privatisation generally fall into either the macroeconomic or the microeconomic category. These authors note however, that empirically, the microeconomic research has faced a severe data availability constraint with the literature (though growing) still young. Sheshinski and Lopez-Calva (1999, p. 8) identify three groups of empirical studies under the microeconomic strand of research as follows:

- i. Those based on firm-specific data in different countries with very small samples or case studies (see for instance, Galal, et al., 1994, Eckel, et al., 1997, amongst others, cited in Sheshinski and Lopez-Calva, 1999, p. 8),
- ii. Studies based on a large sample of firms in different sectors of a specific country known as within-country studies (See, for instance, LaPorta and Lopez-De-Silanes, 1998, etc, cited in Sheshinski and Lopez-Calva, 1999, p. 8), and,
- iii. Cross section analysis of privatised firms that are publicly-traded known as cross section studies (See, for example Megginson, et al., 1994, D'Souza and Megginson, 1998, and Bourbakri and Cosset, 1998, cited in Sheshinski and Lopez-Calva, 1999, p. 8).

On the other hand, according to Sheshinski and Lopez-Calva (1999) the macroeconomic empirical studies (which are more difficult to evaluate) examine aggregate measures like public sector financial health, the capitalisation of the

stock market and their evolution during the reform period. They note however, that it is difficult to aggregate the effects of privatisation on variables like Gross Domestic Product (GDP) growth, employment level, and fiscal deficit due to the diversity of macro-level events taking place simultaneously.

Kikeri and Nellis (2001, p. 7) on the other hand, group the supporting studies on the impact of privatisation into five categories, as follows:

- i. Most assessments of privatisation which examine financial and operational performance at the enterprise level, comparing productivity and profitability before and after sale, changes in output, investments, capacity utilisation, etc;
- ii. A limited but growing body of work about the fiscal and macroeconomic effects of privatisation;
- iii. The rather few studies on its broader welfare and economic consequences;
- iv. A growing number of studies on its employment and broader labour market impacts, and;
- v. Studies on its effects on income and wealth distribution- the least studied aspects of privatisation but on which considerable work is now in progress.

The current study falls under the fourth group of studies and aims to contribute to current knowledge in the area of privatisation's impact on trade unions and employment relationship. In order to justify its relevance, an appraisal of some earlier studies of the same genre is imperative. Bing-hung (1993) for instance, examines the process of change in industrial relations in the public sector arising from privatisation, using British Rail as a case study. The study focuses on the implications of the changing environment precipitated by privatisation for



industrial relations and the reaction of rail unions to the changing power relationships between unions and management. Based on qualitative methodology, it lacks data depth, devoid as it is of interviews with officials of relevant trade unions, government, interest groups and British Rail management.

Miller's (1992) study on the other hand, uses the British Telecommunications (BT) as a case study and examines the effects of privatisation on the British National Communications Union's (NCU) internal organisation, internal relationships and collective bargaining and concludes that privatisation and corporate/technological change have fundamentally affected the NCU's conduct of industrial relations, pressurised its structure, and altered the bargaining agenda. Arrowsmith's (2003) comparative study however, uses case studies of firms in two different sectors (rail and electricity)- Virgin Trains and Powergen- to show how privatisation had differential impacts because of a combination of sectoral context and strategic choice. The author concludes (p. 151) that there is no generic experience of privatisation because of variation in sectoral characteristics of the industries concerned and the fact that unions and managers have significant scope for deciding how they engage each other within a given competitive regulatory context. All of these studies were conducted in developed Western economies.

An additional justification for the current study therefore, lies in the fact that Europe and America and the newly industrialised Asian/Latin American nations are over-represented in existing studies on the impact of privatisation on trade unions and industrial relations. Very few of such studies evaluate developing (particularly African) economies, where the labour markets are not as well developed (see Jones, Jamal and Gogkur, 1998, for instance). As Kikeri and Nellis (2001) observe, most of the growing body of work assessing the impact of

privatisation in developing countries focus on privatisation's impact on enterprise performance (see LaPorta and Lopez-de-Silanes, 1998 and 1999, Macedo, 2000, Campbell-White and Bhatia, 1998, and Boubakri and Cosset, 1997 and 1998, and Hailemariam, von Eije and van der Werf, 2000 for instance), its macroeconomic and fiscal effects (see Davis, Ossowski, Richardson and Barnett, 2000 and Sheshinski and Lopez-Calva, 1999 for instance) or its welfare consequences (see Galal, Jones, Tandon and Vogelsang, 1994 for instance).

The current study seeks to evaluate the impact of privatisation on trade unions and employment relationship in privatised SOEs in two industrial sectors in a developing, non-regulatory setting- Nigeria. Its aim is to elicit conclusions that can then be tested against the hypotheses derived from some of the conclusions of existing literature (based on this Author's reading of the privatisation literature) and thus add to current knowledge on the subject matter. It is envisaged that the current study will open new grounds for more comparative studies on the impact of privatisation on trade unions and employment relationship and thus aid the testing of the conclusions of the privatisation literature across different countries and economic development contexts.

#### 1.6. Conclusion

It is evident from the preceding analysis that privatisation theory and its literature suggests that the hypothetical interaction between privatisation and industrial relations are mediated through issues such as changing ownership and control, structure, as well as the nature of the product market and competition, etc. However, the literature suggests that such macro-micro interactions are by no means universal but are rather mediated by factors other than privatisation which



might also be responsible for producing the micro level changes observable in the industrial relations of privatised SOEs.

Certain questions, therefore, emerge from the privatisation theory and literature which this study seeks to answer, as follows:

1. Is there any obvious connection in the theory on privatisation between the macro-level change in ownership and control, structure of firm and the nature of the product market competition on the one hand, and the micro-level changes in industrial relations on the other?
2. Are there factors responsible for the micro-level changes in industrial relations observable in privatised enterprises other than privatisation?

Although these questions are rooted in the implications of privatisation for employment relationship as defined by Western literature, they are relevant to the Nigerian experience and constitute the theoretical and analytical reference points for the current study, although their implications may not be the same due to Nigeria's different environmental and trade union contexts.

Two hypotheses arise from these two questions that this study seeks to explore, as follows:

1. The employment relationship changes in its expression and management in privatised enterprises as a consequence of the change in ownership and control, structure and product market competition arising from privatisation.

Arising from the first hypothesis is a second hypothesis as follows:

2. The employment relationship in privatised enterprises changes not necessarily as a consequence of privatisation, but as a consequence of changes in

managerial/corporate strategies, national and firm-level industrial relations policies and other environmental factors not related to privatisation.

There are two sets of concepts embedded in the first hypothesis that this study seeks to test. The first set of concepts, represented by the term ‘privatisation’, includes changes in:

- i. Ownership
- ii. Control
- iii. Structure of the firm; and,
- iv. Product market competition.

The second set of concepts, represented by the term ‘employment relationship’, includes changes in:

- i. The balance of bargaining power between management and trade unions
- ii. Collective bargaining
- iii. Union membership size and finances
- iv. Wages; and,
- v. Grievance/ Disciplinary procedures

Two sets of concepts embedded in the second hypothesis which the current study also seeks to translate into operational terms include:

- i. Changes in corporate and management strategies, the firm’s industrial relations policies arising from post-privatisation restructuring and other environmental factors not related to privatisation; and,
- ii. Changes in ‘employment relationship’ as defined above.



It is imperative at this stage to note that these two hypotheses will be tested within the context of two economic sectors- Nigeria's finance and petroleum industries. An appraisal of the Nigerian context of privatisation and trade unionism is thus essential and will be conducted in chapter three. Prior to this however, an evaluation of the research programme and methodology will be conducted in chapter two.

## CHAPTER 2- THE RESEARCH PROGRAMME AND METHODOLOGY

### 2.1. Introduction

In this chapter, the research programme and methodology adopted in the current study, its scope and limitations will be evaluated in two parts. The first part will involve a review of the current study's analytical framework in terms of its ontological and epistemological assumptions, methodology, preparation and the selection of case studies, the negotiation of access, the selection of respondents, the research methods employed and the ethical issues faced in the course of the research. The research process itself will be reviewed in the second part via an appraisal of the interview setting, the interviewing schedule, and the interview methods, methodological and field work difficulties, data reduction, analysis and interpretation as well as the study design and structure.

### 2.2. The Study's Analytical Framework

#### 2.2.1. The ontological and epistemological assumptions of the study

The current research is situated within the context of the constructivist (interpretive) paradigm. Its ontological assumptions are that the social world can best be achieved by immersion in some part of it in order to learn the local language, meaning and rules (Blaikie, 1993) and that social reality:

- i. Is reproduced by social actors (in this case management and trade unions).
- ii. Is a pre-interpreted, inter-subjective world of cultural objects, meanings and social institutions with multiple realities.
- iii. Occurs in wider social conditions of which social actors may not be fully or even partly aware (Burrell and Morgan 1979, p. 203, parenthesis mine).

Three fundamental epistemological assumptions- a holistic view, an inductive approach and naturalistic inquiry (Rudestam and Newton 1992, p. 32) underlie the



current study as follows:

i. A holistic view

The study seeks to understand the experiences of trade unions in privatised enterprises.

ii. An inductive/deductive approach

The study is premised upon specific observations aimed at the development of general patterns from the cases under study.

iii. Naturalistic inquiry

The study involves a ‘discovery-oriented’ approach (Rudestam and Newton, 1992) in evaluating the phenomena in their natural environment. Unlike purely positivist research, it does not seek to employ controlled conditions and a limited set of outcome variables.

In addition to the above-mentioned, the current study is premised on certain assumptions concerning human nature. Based on the voluntarist perception of human beings as the creators of their environment (Burrell and Morgan, 1979) it perceives the social world as much more subjective than the positivist researchers tend to concede and therefore, stresses the subjective experience of individuals (in this case, management and trade unionists) in the creation of their social world.

### 2.2.2. Research Methodology

The above-mentioned assumptions account for the adoption of qualitative methodology for the collection of data that will assist in an examination of the impact of privatisation on trade unions and employment relationship during the pre-privatisation and post-privatisation periods. At the heart of this empirical exercise are case studies of enterprises drawn from two different sectors of

Nigeria's economy- the finance and petroleum industries. In order to operationalise the hypotheses that the study seeks to test (discussed in chapter one) data was collected from three privatised SOEs based on concepts derived from each hypothesis as enumerated in section 1.6 of chapter one.

The current study thus involves methodological and data triangulation via a combination of semi-structured interviews with a representative sample of management and trade union representatives, official data from government, company and trade union records, and data from newspapers, academic journals and publications, the internet and existing literature. The interviews were taped and transcribed with a view toward yielding relevant qualitative data. These data were then tested against the theoretical conclusions generated from the privatisation literature as represented by the two hypotheses discussed in section 1.6 of chapter one.

The study therefore, comprises of both empirical and analytical aspects. The empirical aspect is based on three inter-related and sequential components as follows:

- i. Semi-structured interviews with national and company level trade union officials and senior management representatives in the selected SOEs;
- ii. An evaluation and analysis of official data from government, company, and trade union records as well as data from newspapers, academic journals and publications, the internet and existing literature; and,
- iii. A critical sectoral analysis of individual case study data and a comparative analysis of both sets of sectoral data.

### 2.2.3. Selection of case studies

Three privatised SOEs were selected, comprised of one commercial bank- FBN



Plc, one insurance company- the UNIC Insurance Plc and one petroleum marketing company- Conoil (formerly known as National Oil and Chemical Marketing Company- NOLCHEM) Plc. The justification for this research sample is two-fold. First, the selected companies were chosen to reflect variations in sectoral characteristics and in the important dimensions of employment relationship (discussed in the literature review chapter) in two industrial sectors during three different phases- the pre-privatisation phase, the transition phase and the post-privatisation phase. All of the selected enterprises however, share certain characteristics. For instance, industrial relations in both industries were regulated by the same labour laws.

The Nigerian federal government also owned majority equity in all three enterprises before privatisation and interfered in their board appointments and management. However, despite sharing similar characteristics in terms of pre-privatisation ownership and control, the selected enterprises differed markedly in terms of their pre-privatisation structure, sectoral industrial relations characteristics, economic centrality and the nature of their product market competition.

The selected cases are therefore meant to achieve the under-listed:

- i. Assist in evaluating the impact of privatisation on trade unions and employment relationship in relation to two contrasting sectors, and,
- ii. Help in eliciting the unique features (i.e. the ideographic characteristics) of each case.

The aim here is to seek explanations for similarities and differences in the impact of privatisation on trade unions and employment relationship in the selected SOEs

and thereby gain a deeper understanding of the phenomena under different industrial sector contexts.

A second justification for the selection has to do with cost. It was not possible in view of the constraints of time and money that characterise a study of this nature to examine all the 111 enterprises (Bala 1995, p. 220) privatised under the first phase of Nigeria's privatisation programme. The sample selection was therefore limited to the two most important sectors of the country's economy, with two enterprises (one bank and one insurance company) selected from the finance industry, and one selected from the petroleum industry.

#### 2.2.4. Selection of respondents

In order to test the causal linkages between privatisation and employment relationship as represented by the two hypotheses discussed in chapter one, it was important for the Author to collect the following sets of data:

- i. Indicators of the balance of bargaining power between unions and employers;
- ii. Indicators of union membership size, finances, density and organisation;
- iii. Indicators of pre/post-privatisation enterprise performance, structure and restructure;
- iv. Indicators of the context, nature and processes of collective bargaining;
- v. Indicators of pre/post-privatisation industrial relations practices and their implications for trade unions' role.

The data set collected (quantitative and qualitative) have a historical dimension to it and span three distinct time frames- the pre-privatisation, transition and post-privatisation periods- and are necessary for establishing the causal linkages



between privatisation and employment relationship. The data collection method involved a combination of semi-structured interviews of management and trade union representatives in the selected enterprises with official company, trade union and government records as well as data from newspapers, academic journals and publications, existing literature and the internet.

The Author collected two distinct sets of data (core and background) necessary to establish first, whether the hypothetical consequences of privatisation (as established in section 1.6 of chapter one) have indeed occurred in the predicted directions in Nigeria (in both cases or in one or not at all) and secondly, to establish how the privatisation theory can be refined/improved to take account of sectoral and other differences as revealed by the two case studies. The core data was aimed at establishing the following:

- i. Whether privatisation has in any way led to a change in trade unions' bargaining power and structures;
- ii. A shift in the pattern of industrial relations in terms of a change in other indicators of employment relationship specified in section 1.6 of chapter one; and,
- iii. The impact (if any) of factors other than privatisation.

This set of data was collected from interviews with a fully representative sample of union Presidents, General Secretaries, branch level union representatives and relevant management representatives in the selected enterprises within the historical timeframe of the study. On the trade unions side, officials of the under-listed unions were interviewed:

- i. National Union of Banks, Insurance, and Financial Institutions Employees (NUBIFIE);

- ii. Association of Senior Staff of Banks, Insurance and Financial Institutions (ASSBIFI);
- iii. National Union of Petroleum and Natural Gas Workers (NUPENG); and,
- iv. Petroleum and Natural Gas Senior Staff Association of Nigeria-PENGASSAN (see Appendix 1).

This selection of interview respondents was considered most appropriate for the collection of data required to answer the research questions and test the conclusions of the privatisation theory and literature (as represented by the two hypotheses deduced from the literature review) for the under-listed reasons:

- i. Semi-structured interviews with a representative sample of principal union officials, union shop stewards and management representatives in the selected cases (see Appendix 1) was expected to generate the relevant qualitative data necessary to test the causal relationship between privatisation, trade unions and changes in employment relationship discussed in chapter one and also help in the collection and triangulation of data necessary for establishing the indicators of union strength, finances and organisation and establish the context and the nature of the collective bargaining process.
- ii. Interviews with a representative sample of management in the selected cases was expected to aid the collection of data necessary for establishing the context and nature of change in the process of collective bargaining and industrial relations practices and corporate structure as well as their implications for trade unions and employment relationship (See Appendix 1 for details of interviewees).

A second set of data- essentially background data- was collected through a process of data triangulation from newspapers, official records obtained from the relevant unions, employers and government agencies, including:



- i. The Nigeria Employers' Association of Banks, Insurance and Allied Institutions (NEABIAI).
- ii. The Bureau for Public Enterprises (BPE) and,
- iii. The Oil Producers' Trade Group (OPTS) - the umbrella organisation for Nigeria's oil industry employers.

Official data was also collected from the Nigeria Labour Congress- NLC (the central labour organisation to which all industrial unions in Nigeria are affiliated). Data from pre and post-privatisation company records relevant to the study was also collected from the three selected enterprises.

The above-mentioned sources were considered most appropriate for the collection of data required to triangulate data obtained from the selected unions and management in order to provide value-free answers to the research questions and test the two hypotheses deduced from the privatisation literature review discussed in section 1.6 of chapter one. Data from official company records, trade unions and other relevant organisations are useful for triangulating interview data and establishing macro and micro patterns of change in trade unionism and industrial relations in the two selected sectors.

#### 2.2.5. Negotiation of Access/Constraints

From the onset, this Author recognised the fact that attempts to collect these data sets may be thwarted by time and/or travel constraints or by difficulties of access. To overcome these anticipated constraints, efforts were made by the Author to negotiate access to the selected SOEs through the trade unions, senior staff and employers' associations and the management. Letters were sent to relevant organisations in Nigeria in 2001 requesting permission to conduct interviews and collect data. Informal representations were also made to trade union leaders and

officials of employers' representative organisations known to this Author.

Despite these initial attempts, no official response came from the selected enterprises largely due to problems of communication at the Nigerian end. This Author therefore, resorted to negotiating access through informal channels via contacts in the Nigerian trade union movement and the selected enterprises. Finally, the Author visited Nigeria between January and March 2002 for field work. A follow-up visit was conducted in August 2005 to collect outstanding relevant data. These research methods were considered appropriate because a quantitative, structured, interview-based method of data collection alone could not help in eliciting the sort of historical data necessary for testing the hypothetical causal relationship between privatisation, trade unions and employment relationship discussed in chapter one, which constitutes the focus of this study.

#### 2.2.6. Problems/ethical issues

This Author was equally aware that qualitative methods of data collection, on their own part, have inherent problems. The possibility of bias (by both the researcher and respondents) in interviews existed. Moreover, repeat interviews are expensive (particularly because of the financial constraints faced by the Author as a privately funded researcher) while co-operation may be more difficult to achieve during follow-up interview, which could result in a high degree of panel attrition due to unwillingness on the part of earlier respondents.

In order to avoid such obstacles, the Author kept the cost of the research within reasonable bounds by guarding against any extended stay in the field and the use of proxies thereafter to collect relevant data. To reduce the margin of biased interview responses, efforts were made to validate interview responses through a



process of data triangulation. Another problem encountered by the Author was the initial refusal by some trade union respondents to be tape-recorded. On assurance that their anonymity will be guaranteed however, most of them agreed. In the only case where objection persisted, the Author manually recorded the interview. Some union respondents (particularly national-level union leaders) however, waived their anonymity. Where this occurred, it is noted in the study and the data are ascribed directly to such respondents.

In order to reduce the risk of panel attrition, the survey instrument was de-personalised. The rights of respondents (as dictated by ethical considerations in research) were also explained to them at the onset of interviews and they were made aware of the fact that they were not obliged to answer questions they did not feel comfortable with and were free to answer any question off record.

### 2.3. The research process

#### 2.3.1. Data gathering

Approximate time for data gathering was initially estimated at seven months but this lasted over one year from 2001 to 2002 and was done in two phases. In the first phase of fieldwork (July 2001 to March 2002) access into the case study companies was negotiated (between July and October 2001), preliminary data from newspapers, existing literature and the internet was gathered and interviews conducted in the selected enterprises between January and March 2002. Official documents and literature relevant to the research were also collected in addition to interviews and evaluated during the first phase.

The research questions were re-examined based on the initial data gathered and where necessary arrangements were renegotiated with informants in order to

obtain additional data, while the Author also employed the services of informal contacts to obtain data where necessary. A follow-up data gathering exercise was conducted in Lagos between 10<sup>th</sup> and 20<sup>th</sup> August 2005. Data collection and analysis was however, continuous all through the study.

### 2.3.2. Data analysis and interpretation

Data analysis was carried out during and immediately after the fieldwork. The transcription of the interview data however, posed a bit of a problem. Because the existing transcription softwares are not designed to cope with Nigerian English, accents and terminologies of the interview respondents, the Author resorted to manual transcription using tape recorders rather than use the Warwick Business School's transcription facilities. Laborious as this was, it took months to complete and resulted in the generation of an enormous amount of data that was then evaluated for relevance. Simple questionnaires were also used to gather relevant data that could not be obtained during the first field work. These were sent by electronic mail/post or via the Author's contacts (paid and unpaid) to the relevant organisations. Observed discrepancies in interview data were also cross-checked via the same process.

The initial plan was to conduct data reduction and interpretation through the use of the Nvivo software from May 2002. However, this plan was abandoned in preference for manual coding and interpretation due to the Author's realisation that the Nvivo software could not capture the totality of the data generated in a manner the Author considered most appropriate. Consequently, the Author resorted to the method of relative frequencies, i.e. aggregating measures across cases (Stake, 1995) which Phillip Runkel (1990, cited in Stake, 1995, p. 36) refers to as 'casting nets and testing specimens'. This was employed as the primary



method for an initial individual analysis of the finance and petroleum sector cases.

However, the analysis also involved pressing for an understanding of “the complex interrelationship” among the two cases through description (Ibid.). The aim was to treat the uniqueness of individual cases and contexts as important to an understanding of the phenomena of privatisation while at the same time trying to find the most general and pervasive explanatory relationship between the two cases, in order to establish their relevance (if any) to one another and elicit patterns of unanticipated relationships (Ibid.).

In order to achieve this aim, data collected in the course of the research were manually coded based on the analytical variables derived from conclusions of the literature - the balance of bargaining power, union membership size and finance, etc., discussed in section 1.4 of chapter one. Each set of data for every variable was then divided into subsets and further sub-coded on historical basis- pre-privatisation, transitional and post-privatisation- for each case. Each set of raw data was then analysed under various possible interpretations and patterns of data elicited (whether or not indicated by the research issues) with linkages sought between the disaggregated raw set of data and the analytical variables.

Tentative conclusions and draft chapters were then drawn up and organised on the basis of research issues derived from the two hypotheses the study seeks to test. The draft chapters were subsequently reviewed in line with observations raised by supervisors, new data was gathered where relevant to triangulate or enrich the chapters with a conscious effort made to deliberately seek disconfirmation of the research findings (Ibid.). Throughout the data analysis, the Author continuously gathered relevant data on the two cases but made a conscious effort to validate

each data set via triangulation. These were then analysed in two draft case study chapters and placed side by side in a draft comparative chapter in order to elicit a pattern- the similarities and the differences between the two cases. All the draft chapters were subsequently reviewed, edited and fine-tuned and the outstanding grey areas updated. With due consideration given to relevant up to date data, a final draft of the thesis was then written up for submission in readiness for the presentation and defence of the key research findings.

### 2.3.3. Study Design and Structure

The current study will attempt to paint a broad picture of the impact of privatisation on trade unions and employment relationship in Nigeria's finance and petroleum industries under five sections, as follows:

- i. An appraisal of the situation before privatisation through an evaluation of measures employer and union power (i.e. the balance of bargaining power including the political and legal contexts of power), collective bargaining, union membership size and finances, wages and grievance/disciplinary procedures;
- ii. An evaluation of the situation after privatisation using similar indicators as in (i) above;
- iii. An identification of those change elements that could be attributed to privatisation by relating them to specific proposals from finance employers and their strategic proposals for restructuring the privatised SOEs, i.e. the post-privatisation corporate strategies of the new companies. This will involve an assessment of the extent to which changes identified can be explained by the new companies' post-privatisation corporate strategies.



- iv. An analysis of those changes that appear to be related to factors other than privatisation, and,
- v. Finally and by way of conclusion, an assessment of the overall impact of privatisation on trade unions and employment relationship.

The analysis will involve an evaluation of trade unions and employment relationship before and after privatisation at both macro and micro levels based on the adopted analytical variables defined in chapter one. An overview of the Nigerian context of privatisation and trade unionism (conducted in chapter three) is therefore important as this will serve as a background to an understanding of the privatisation-related changes that may eventually be identified in the course of the current study.

The finance and petroleum case studies are evaluated in chapters four and five respectively. In chapter six, the findings of these two chapters are comparatively evaluated and by way of conclusion, the study's key points are recapitulated, its theoretical perspectives restated, its contribution to the privatisation literature discussed, while issues and themes for future research are identified.

## CHAPTER THREE: THE NIGERIAN CONTEXT OF PRIVATISATION

### 3.1. Introduction

In this chapter, an appraisal of the environmental context of Nigeria's privatisation programme will be conducted in two parts. The first part will involve a reconstruction of the programme's environmental context - political, economic and industrial relations. In the second part, the programme's background, objectives, implementation and problems will be discussed.

### 3.2. The Environmental Context

Nigeria's privatisation programme is comprised of a complex interplay of political, economic, industrial relations and managerial contexts, each of which portends implications for employment relationship in the country's privatised SOEs. These factors are examined below.

#### 3.2.1. The political context

Nigeria, Africa's most populous nation, comprised of 36 States and the Federal Capital Territory of Abuja, became independent of British colonial rule on October 1, 1960 and a Republic in October 1963. Situated on the West Coast of Africa, the country has a population of 88.99 million (1991) and occupies a land area of 923,768 square kilometres (Federal Office of Statistics- FOS, 1998). Since independence, Nigeria has been ruled intermittently by the military for 29 years and by democratically-elected governments for only 16 years.

The political context of Nigeria's privatisation has two dimensions- geo-political



and labour. With regard to the geo-political dimension, privatisation of SOEs engendered an atmosphere of mutual suspicion amongst Nigeria's numerous ethnic groupings, each of which fear the domination of the economy by the other groups (Bala, 1995). As noted by Akhaine (2001) for instance, the participation of Northern States of the country in the first phase of the exercise was low compared to the much more westernised southern states. In order to assuage fears of domination by any ethnic grouping, the BPE evolved a system aimed at ensuring distributional equity in share acquisition. Under the system, shares were allotted to Nigerians on State quota basis. Where the citizens of a state do not buy the shares allotted to it, such shares were sold to that state's investment company (Bala, 1995). Moreover, under the provisions of the Privatisation Act of 1999, shares were strictly and equally allotted amongst Nigeria's federal constituencies, with only Nigerian residents in those constituencies aged 18 and above eligible to buy shares.

The total number of shares owned by the state governments in the privatised enterprises was however, insufficient to enable them exert any appreciable influence on the privatised SOEs, while individual Nigerian share holders were dispersed and could not effectively advocate their interests. With no single Nigerian shareholder (including state institutions) holding up to 4% of the total shares of privatised SOEs, foreign shareholders (whose equity holding in some of the privatised enterprises date back to the pre-privatisation era) had majority control despite the provisions of the 1999 Privatisation Act (Ibid.). Foreign shareholders' dominance of most of the privatised SOEs however, changed with the sale of majority equity to Nigerian core investors by the BPE.

Prior to the latter development, the defunct Technical Committee on Privatisation and Commercialisation (TCPC) was confronted with the problem of articulating the rights of individual Nigerian shareholders, especially as it relates to appointments to the boards of privatised enterprises and ensuring equitable distribution of board membership based on Nigeria's plural context. Consequently, the TCPC promoted the formation of Zonal Shareholders Association in 1991 to organise individual Nigerian shareholders into formidable groups in privatised enterprises. The Association's objectives are as follows:

- i. To undertake the education and enlightenment of Nigerian shareholders and to stimulate their interest in the affairs of their companies.
- ii. To facilitate shareholders' participation in corporate decision making through regular attendance at annual general meetings.
- iii. To nominate shareholders' representatives to serve on the Boards of Directors of privatised companies, and,
- iv. To facilitate easy access by individual shareholders to information for the purpose of claiming their dividends and scrip share certificates (Bala 1995, p. 219).

Geo-political considerations aimed at achieving distributional equity also resulted in substantial part-ownership of some privatised enterprises by State (regional) governments. In order to ensure plural spread in board membership in the privatised SOEs and nation-wide participation in the affairs of the Shareholders Association, the BPE which succeeded the TCPC divided the country into seven geographical zones with equal representation on the boards of privatised enterprises, irrespective of the percentage of shares owned by shareholders in each



zone. According to Bala (1995, p. 219) 100 seats on the boards of privatised companies were allocated to shareholders in the seven Zonal Associations as at 1995, with an estimated 300 board membership seats expected to be taken over by these associations by the time the allotment of shares of privatised enterprises is completed.

With regard to the labour-political dimension of Nigeria's privatisation programme, opposition by trade unions was initially very strongly expressed by the Nigeria Labour Congress (NLC) and the Senior Staff Association of Statutory Corporations and Government-owned Companies (SSASCGOC). At the fifth triennial delegates' conference of the SSASCGOC for instance, both unions threatened strike action over the government's proposal to privatise the National Electric Power Authority (NEPA), Nigerian Telecommunications Limited (NITEL), Nigerian Postal Services (NIPOST), Nigeria Ports Authority (NPA), Federal Aviation Authority of Nigeria (FAAN), Federal Housing Corporation (FHA) and the Federal Radio Corporation of Nigeria (FRCN) which were initially slated for commercialisation based on the under-listed reasons:

- i. The absence of a credible valuation of assets of the companies to be privatised.
- ii. Non-formulation of a legal framework in line with Nigeria's present democratic political dispensation for the privatisation exercise (the existing legal framework is a decree enacted by the defunct military administration).
- iii. Non-representation of senior workers in the privatisation scheme (Akhaine, 2001).
- iv. The unserious attitude of the BPE to labour issues, and,

v. The determination of the BPE to sell off public assets under the scheme within an unrealistically short period (Ogidan, 2001).

Nigerian unions initially perceived their role in privatisation in terms of stopping “any attempt to mortgage the future of Nigerians alive and unborn” by the BPE which the unions saw as engaging in “sheer asset stripping devoid of transparency” (Ogidan, 2001) due largely to their politically-motivated preference for government ownership of public enterprises and their role as representative agencies that represent their members and the down-trodden populace as well. The NLC, for example, has a political mandate to protect all workers like in the French industrial relations model, unlike in the British model where unions have a political mandate to protect only their members’ interests.

The culturally-specific context of the nature of trade unions’ opposition to privatisation and particularly the dynamics of union mobilisation in Nigeria where unions do not ballot their members before embarking on strike actions are also relevant to an understanding of the unions’ initial politically-motivated opposition. Unlike the case in the U.K, where mobilisation is usually premised on how the issues involved will affect the members, in Nigeria, this Author’s experience indicate that strikes can be deployed as a political weapon as happened over the annulled June 12, 1993 Presidential elections. Despite Nigerian unions’ opposition however, the privatisation of some SOEs went ahead and was intensified when the leadership of the NLC, NUPENG and PENGASSAN were proscribed by the country’s military dictators between 1994 and 1997. The unions eventually modified their opposition to privatisation following the election of new democratic union leaders in 1998 when the NLC President was co-opted into the National



Privatisation Commission.

While the NLC's initial opposition was motivated by ideological considerations, pragmatism appears to have played a major role in its eventual support for privatisation. Nigerian unions were however, not unanimous in supporting privatisation. For example, the then NLC Deputy President who was also the General Secretary of the Nigerian Union of Electricity Workers (NUEW) and his union strongly opposed privatisation and threatened to plunge the nation into total darkness if the government goes ahead to privatise NEPA (Interview with the NUEW General Secretary, 2002).

The petroleum industry unions (supported by the NLC) were also opposed to the privatisation of the NNPC and its subsidiaries. Privatisation in the context of the downstream sector of Nigeria's oil industry took the form of opening up access to the resource to the private sector via full privatisation of SOEs in the industry's downstream sector. Ownership of the oil and natural gas resources however, remains vested in the Nigerian State, represented by the NNPC. In 2001, the government proposed the partial privatisation of subsidiaries of the NNPC by offering 40 percent equity to strategic investors and 20 percent to the general public, with the Federal Government retaining 40 percent. The enterprises include the Port Harcourt Refinery I and II, the Kaduna Refinery and Petrochemicals, Eleme Petrochemicals, Pipelines Products and Marketing, Company Limited, the Nigerian Petroleum Development Company Limited and Nigeria Gas Company Limited. The NNPC itself was slated for full privatisation same as the 11 oil service companies in which it has shares (El-Rufai, 2001, p. 4).

The government's plan was strongly resisted by NUPENG and PENGASSAN which embarked on two days nationwide 'warning' strike in September 2002. Consequently, the government reached an agreement with the two unions and other stakeholders in the industry at a conciliatory meeting held on 29<sup>th</sup> December 2003 where it was agreed (amongst other things) that the strategic partnering option proposed by the trade unions will be adopted and competent and credible investors will be allowed to acquire 51% equity in the NNPC, with the government retaining 49% (PENGASSAN, 2003b, p. 1). The government has so far been unable to privatise the NNPC and its subsidiaries due to the unions' opposition.

### 3.2.2. The economic context

Nigeria is the sixth largest producer of crude oil in the world and also the largest domestic market in sub-Saharan Africa. A member of the Organisation of Petroleum Exporting Countries (OPEC), Nigeria depends largely on the petroleum sector from which it derives between 90 and 95 percent of export revenues, over 90 percent of foreign earnings and nearly 80 percent of government revenues (Johnson, 2003, p. 1, Tables 29, 30 and 31). Agriculture, previously the mainstay of the economy, employs about two-thirds of the labour force but accounts for about 31 percent of Gross Domestic Product (FOS, 1998).

The unexpected increase in oil prices in 1973 led to a lot of developmental projects in Nigeria, with a boom in both private and public sector employment opportunities. Large numbers of industrial establishments were established alongside significant improvements in infrastructure (Fashoyin, 1980). In 1986 however, as a result of increasing economic pressures arising from a sharp fall in



oil prices, a structural adjustment programme (SAP) was introduced by the government, resulting in a period of relative fiscal austerity in the late 1980s, with the government running huge budget deficits up to 1995. Consequently, the manufacturing sector's contribution to the country's GDP declined from 7.17 percent in 1994 to 6.90 percent of the country's GDP in 1998 at 1984 constant factor cost (FOS, 1998, p. 17). Industrial capacity utilisation also declined due to poor infrastructure, the devaluation of the Naira (Nigeria's currency unit) and the negative effects of the SAP. This economic downturn impacted on Nigeria's industrial relations, particularly in the area of redundancy and staff rationalisation in her public and private sectors.

Four aspects of Nigeria's economy portend critical consequences for newly-privatised enterprises. The first is the dwindling fortunes of the manufacturing sector since the 1990s, which, in the 1995-97 plan period, achieved a negative cumulative growth rate of -3.77 percent (National Planning Commission, 1998, p. 4). The second aspect is the negative effects of the country's economic adjustment, which in combination with the third factor- the dwindling revenue from oil- resulted in high unemployment rate and a decline in real wages as a result of the devaluation of the national currency.

Fourth are the responses that these developments have in turn elicited from employees and their unions, which took the form of demands for increases in wages and other emoluments, with serious implications for employment relationship. In the wake of SAP in 1986 for example, 87 trade disputes were declared by the trade unions (as opposed to 77 in 1985). Of this number, 53 resulted in strike actions (as opposed to 40 in 1985) with 461,345 man-days lost

(Central Bank of Nigeria, 1986, pp. 43 and 45). The public sector in particular was worst hit by strike actions due to the non-payment of outstanding arrears of salaries and fringe benefits and negotiated increases in basic salaries.

It is evident from the foregoing that economic variables have a direct bearing on the conduct of industrial relations in Nigeria. At different times in the country's history, workers have based their demands for a review of the reward system on adverse economic conditions as evidenced by the July 2000 minimum wage strikes across the country. On the part of employers, particularly in the private sector, downsizing has oftentimes been premised on adverse economic conditions which in the extreme of cases, have resulted in factory closures. Sometimes, the review of collective agreements is made conditional upon "an improvement in the economy and the operations of the companies" (Imoisili, 1984, p. 385).

Another notable feature of the economic context of Nigeria's privatisation is the large extent of government involvement in the economy. The latter has its root in the massive accumulation of oil revenue by government as a result of the oil price increases of the early 1970s and 1980s. According to Nambudiri and Iyanda (1986) the government owned 14 companies exclusively, and was in joint venture agreements with foreign partners in 27 others. Additionally, the government owned a minimum of 60 percent in financial institutions, 55 percent in the oil sector and an average of about 49 percent in insurance companies, with a total investment estimated at \$1,275 million (Damachi and Siebel, 1986, p. 94). The magnitude of government ownership of SOEs resulted in its control of their Boards of Directors, with board appointments in many of these enterprises used for granting political favours. Such political interventions in the affairs of SOEs



were often at variance with their strategic objectives.

The inadequacy of infrastructures crucial for efficient business operations is another relevant aspect of Nigeria's economy worthy of mention. This situation explains the predominance of labour intensive operations in most enterprises, although the picture is changing gradually in the banking and oil industries where new technologies are increasingly being introduced and operations computerised. Technological inadequacies result in higher costs of manufacturing goods relative to imported products largely as a result of the inadequacies in the production and supply of electricity, water, and communication services. Such high costs of goods often result in stock-piled inventories and dwindling profit margins for manufacturers who in turn sometimes resort to redundancy as a survival strategy.

### 3.2.3. The industrial relations context

Historical evidence suggests that collectivism as the dominant form of industrial relations in Nigeria has its origin in the colonial era. The first attempt at formal joint machinery for collective bargaining between representatives of the Nigerian government and workers took place in 1942 when the composition of the country's Provincial Wages Committees (set up in 1937) was enlarged to include representatives of workers (Yesufu, 1962). These Committees were responsible for setting wage levels in different parts of the country in accordance with prevailing local conditions. The establishment of the Whitley Councils A and B, which cut across government departments and the provinces and covered workers in the clerical and manual cadres respectively followed later. These councils were reconstituted in 1951 and became the machinery for collective bargaining in the

public sector, with the departmental committees remaining as in-house grievance and consultative bodies (Ibid.).

In the immediate post independence era, this practice was reconsidered by the government-established Morgan Commission of Inquiry (1963 to 1964), which recommended a restructuring of the relevant machinery into:

- i. Whitley Councils A and B dealing respectively with the salaries, wages and conditions of service of all categories of senior and junior staff in the civil service, and,
- ii. Separate National Joint Negotiating Machinery for all categories of local authority staff, teachers and the statutory corporations and parastatals respectively, radio and television marketing boards, and finance corporations, electricity, railway, ports and coal (Yesufu, 1991).

However, the government committed itself to the principle of National Joint Industrial Councils (NJIC) specifically for the private sector and, by extension, the public sector (Ibid.). Fashoyin (1980) notes that the failure of this practice led the Udoji Commission established in the 1970s to support the establishment of the National Public Service Negotiating Council responsible for regulating wages, arbitration, and centralisation of the machinery of negotiation. Meanwhile, the unprecedented increase in number of trade unions prior to 1978 made negotiations difficult and created an unstable industrial relations climate characterised by wild cat strikes and other forms of trade union actions.

Consequently, the number of unions in the country was rationalised by government via the promulgation of the Trade Unions Decree No. 31 of 1973. The



decree increased the minimum size of a union to fifty and made major fundamental requirements in the internal administration of unions, particularly in the areas of union democracy and accountability. This decree was followed by the Trade Unions Amendment Decree No. 22 of 1978 that sought to enhance union solidarity and introduced a compulsory check-off system to make the unions financially viable. According to Fashoyin (1980, p. 27) with this development, the role of government in industrial relations in Nigeria moved from “persuasive intervention” to “imposed limited intervention” due to what the government perceived as the unions’ inability to bring about its dream of relative industrial peace, given their fierce ideological and jurisdictional struggles and factionalisation.

Unionism was however, not limited to workers alone. By 1954, eight employers’ associations existed (Ibid.) most of which were primarily interested in regulating trade practices and in providing friendly services, with only two- the Nigerian Plantation Employers’ Association and the Nigerian Mining Employers’ Association- interested in the conduct of collective relations with employees (Yesufu, 1962 cited in Fashoyin, 1980, p. 27). However, many employers at the time preferred to handle labour relations on an individual enterprise basis and were unwilling to discuss their industrial relations practices with one another on the assumption that it will amount to revealing the secret of their success. Moreover, with the fragmentation of the labour movement into well over 1000 unions before 1978, micro level union membership was not significant enough to pose a threat to employers’ interests (Fashoyin, 1980).

The 1978 Trade Unions (Amendment) Decree eventually increased employers’

awareness of the increasing strengthening of the improved organisation and bargaining power of employees. Under the terms of the 1978 labour decree, the government merged the existing four central labour organisations into one (the NLC) and restructured the over 1000 previously registered unions into 42 Industrial unions. This number was later reduced to 41 when the Customs and Excise Workers Union was classified as essential service and de-registered. Four professional unions, fifteen unions for senior management and nine employers associations were also created under the 1978 decree (Fashoyin 1980, p. 33) with employers associations increasing to 22 by 1987 (Imoisili, 1987).

The 1978 Trade Unions (Amendment) Decree extended all the rights and obligations that apply to trade unions to employers' organisations interested in collective bargaining, including access to the mediation and conciliation services of the Industrial Arbitration Panel (IAP) and the National Industrial Court- NIC (Ibid.). As Damachi (1986, p. 120) notes however, the 1978 trade unions restructuring made unions "virile and solvent" and a "threat to government and employers" as evidenced by the high incidence of strikes in the early 1980s. In 2005, the Federal Government deregulated trade unionism and registered the Trade Union Congress (TUC) as an umbrella body for Senior Staff Associations.

Generally, industrial relations in Nigeria before privatisation was characterised by the under-listed:

- i. The right of association

Nigerian workers (except members of the armed forces and essential services' employees) were free to join trade unions (in line with the ILO's convention 87 on



freedom of association to which Nigeria is a signatory) and embark on strike actions. Under the provisions of the country's labour laws, any enterprise that has more than fifty employees was obliged to recognise trade unions and pay or deduct check-off dues in respect of its employees who are members to the union.

ii. The right to organise and bargain collectively

Both management and employees were permitted under the country's labour laws to exercise these rights. Additionally, workers' rights were reinforced through the Industrial Arbitration Panel (IAP) and National Industrial Court (NIC) that handle complaints of anti-union discrimination and by ILO's convention 98 on the right to organise and bargain collectively to which Nigeria is a signatory. The government however, retained broad authority over labour matters and intervened in labour disputes that it considered a threat to its economic or political objectives.

iii. Prohibition of forced or compulsory labour

The 1974 labour decree and Nigeria's constitution both prohibit forced labour and this was generally observed in practice by employers.

iv. Conditions of work

The Factories Act 1976 prescribed a forty-hour work week, two to four weeks of annual leave and overtime payment for extra hours worked above the legal limit, with workers who work on Sundays and legal public holidays paid a full days wage in addition to their normal wages. The government was also permitted by law to set a minimum wage for the country. Additionally, the 1976 Factories Act provided guarantees for workers health and safety, as well as compensation in the

event of death arising from work.

It is imperative at this stage to emphasise the fact that there are no historical differences in public and private sectors' industrial relations in Nigeria before privatisation, although differences exist in the nature and practice of collective bargaining in both sectors. Collective bargaining in the private sector was an outcome of negotiations between management and trade unions, while the State was the key actor in public sector collective bargaining. The Nigerian government did not however, engage in negotiations with public sector unions under the aegis of the National Joint Negotiating Councils. Rather, the government arbitrarily legislated wage awards without bargaining with public sector unions. Before privatisation however, the government was perceived as a good employer which provided secure jobs up to retirement age.

### 3.3. A reconstruction of Nigeria's privatisation programme

In order to understand Nigeria's reason for privatising SOEs however, a reconstruction of its background, its objectives, implementation and problems is important.

#### 3.3.1. Background to privatisation

In compliance with International Monetary Fund (IMF)/World Bank conditions/guidelines on debt rescheduling, Nigeria accepted in principle to deregulate its economy and privatise most of its SOEs. A number of factors informed this decision. First was the need to promote economic recovery by removing the financial burden which the SOEs constituted on the public and



thereby release resources for the essential functions of government (Obasanjo, 1999). As Nigeria's President Obasanjo (1999, p. 1) noted at the inauguration of the National Council on Privatisation (NCP);

“It is estimated that successive Nigerian governments have invested up to 800 billion Naira (about £4 billion at the time) in public-owned enterprises. Annual returns on this huge investment have been well below 10 percent. These inefficiencies and, in many cases, huge losses are charged against the public treasury... State enterprises suffer from fundamental problems of defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency which monopoly engenders. Inevitably, these shortcomings take a heavy toll on the national economy.”

As Anya (2000, p. 1) notes, “The issue of mismanagement and under-utilisation which led to huge wastage of resources and manpower potentials gave the government of the day no other option but to pursue quickly the privatisation programme.”. With over 600 SOEs run or controlled by Nigeria's Federal Government and many more owned by the state governments, SOEs consumed a sizeable portion of the federal budget, with government appointing over 5000 loyalists into SOEs' management and Boards. Apart from constituting a veritable source of political patronage, transfers to these SOEs (in the form of subsidised foreign exchange, import duty waivers, tax exemptions and/or write-off of arrears, un-remitted revenues, loans and guarantees, grants and subventions) ran into billions of Naira. Additionally, most of the SOEs were characterised by abuse “of monopoly power, defective capital structure, heavy dependence on treasury

funding, rigid bureaucratic structures and bottlenecks, mismanagement, corruption and nepotism”.

In 1987, the then military government announced an extensive programme of privatisation in which some 67 SOEs were slated for full privatisation. Included in this category were hotels, breweries, insurance companies and other light-industry enterprises, in addition to 31 heavy-industry SOEs slated for partial privatisation under the second phase. The latter include oil marketing companies, steel rolling mills, Nigeria Airways, fertiliser companies, paper mills, sugar and cement companies (Fafowora, 1998). Under the second phase, 25 other SOEs were to be either fully or partially commercialised but were to remain largely state-owned, amongst which were NNPC, NITEL Plc and NEPA (Ibid.).

In March 1988, the then military Head of State promulgated Decree No. 25 (later converted to the Public Enterprises Privatisation and Commercialisation Act of 1999) which gave legal backing to and formally initiated the country's privatisation and commercialisation programme. Under the provisions of the decree, a total of 111 enterprises were slated for privatisation, while 35 others were to be commercialised. An eleven-man Technical Committee on Privatisation and Commercialisation (TCPC) was also established with a broad mandate to oversee the programme (Jerome, 2003, p. 7).

Under the TCPC, public sector reform was conceived under two inter-related components- privatisation and commercialisation. Under the first phase of the privatisation exercise (from July 1988 to June 1993) the TCPC privatised 36 SOEs through public offer of shares, 4 SOEs through deferred public offer, 8 SOEs



through private placement, one SOE through management buy-out and 8 SOEs through sale of assets. Additionally, the TCPC sold off the non-water assets of 18 River Basin Development Authorities (Ibid, p. 2) but was later replaced by the NCP and its administrative body - the BPE in 1999.

The second reason for Nigeria's decision to privatise her SOEs was the need to further liberalise her economy by bringing in more service providers and thereby encourage increased competition that will help regulate the market for fairer pricing and the delivery of quality services. The Nigerian government saw privatisation as a means of creating competition in the economy and in order to achieve this goal, it abrogated all anti-competition laws in the monopolistic power, telecommunications and related sectors, while strengthening some regulatory institutions (World Investment News, 2000).

The third reason was the need to integrate the country's economy into the mainstream of an increasingly globalized world economic order. According to Nigeria's President Olusegun Obasanjo (1999), this factor has two inter-related aspects. First is Nigeria's need for technology, managerial competence and capital from the developed world to enhance the performance of public utilities. The second aspect is the important linkage between the efficient functioning of Nigeria's utilities and her ability to attract foreign investments.

The fourth reason was the need to satisfy multilateral institutions, particularly the World Bank and IMF. Despite claims to the contrary by the government and officials of the BPE, the influence of the IMF and World Bank in Nigeria's privatisation is evident. For instance, Nigeria relinquished control of and divested

her interests in several SOEs through loan arrangements with the IMF (Mutume, 2001). Moreover, the International Finance Corporation (IFC) and the World Bank have been working with the Obasanjo government since May 1999 to privatise key infrastructure and have been advising the government on the sale of Nigeria Airways and the Lagos State Water Corporation but withdrew from this role in May 1999 when Nigeria adopted an open skies policy on Nigeria Airways' against the advice of the two multilateral institutions (Ibid.).

The influence of multilateral institutions is further evidenced by President Olusegun Obasanjo's government's agreement to privatise key SOEs such as NITEL and NEPA (earlier slated for commercialisation) under a 12-month, US\$1billion stand-by credit arrangement negotiated with the IMF in 2000 (Ibid.). The IMF and World Bank believe that eliminating structural obstacles through the privatisation programme will enhance the revival of Nigeria's economic growth as well as create more jobs. Apart from direct involvement by these multilateral institutions, the Multilateral Investment Guarantee Agency (MIGA)- a member of the World Bank Group involved in the promotion of foreign direct investment in developing countries- has also indicated its willingness to offer industrial guarantee and technical assistance to Nigeria and has also undertaken to help market Nigeria's privatisation programme globally (World Investment News, 2000).

In July 1999, the Obasanjo government initiated the second phase of the country's privatisation programme. The objective of this second phase, according to President Obasanjo (1999, p. 3) was "to assist in restructuring the public sector in a manner that will affect a new synergy between a leaner and more efficient



government and a revitalised, efficient and service-oriented private sector”. This phase of the programme (which remains an ongoing exercise due to implementation problems discussed below) was divided into three stages as follows:

- i. Phase 1- which includes the privatisation of commercial and merchant banks and cement plants that were already quoted on the Stock Exchange;
- ii. Phase 2- to include hotels and motor vehicle assembly plants; and,
- iii. Phase 3- to include NEPA, NITEL, National Fertiliser Company of Nigeria (NAFCON), Nigeria Airways and the petroleum refineries (National Council on Privatisation, 2000, p. 6).

### 3.3.2. The objectives of Nigeria’s privatisation

The objectives of privatisation under successive Nigerian governments have remained largely the same under both military dictatorship and civil democracy. These objectives were earlier discussed in section 1.2.3. of chapter one. A repeat is therefore, unnecessary in this chapter.

### 3.3.3. Implementation and problems

The government was unable to privatise the huge, capital-intensive industries involved in fertiliser, paper and sugar production, vehicle assembly and steel production under the first phase of the privatisation programme due largely to their state of financial insolvency, negative worth and the government’s policy inconsistency. Generally, there was a lack of clarity of government’s policy on some critical issues associated with the programme, which according to Anya

(2000), included whether to privatise the SOEs ‘as is’ or rehabilitate them before privatisation, whether to relieve the SOEs’ managers of their positions before or after privatisation, the type of regulatory framework to put in place, whether foreigners should be allowed to buy shares under the scheme, the valuation methods to be used, the role of foreign core investors in the ownership and management of the national economy, loss of jobs resulting from the exercise, income inequality arising from the ownership of privatised assets, whether to deregulate before or after privatisation, how to utilise the proceeds accruing from the exercise, whether government should own ‘golden shares’ in the privatised enterprises, and, how to ensure transparency in the implementation of the exercise.

The government’s policy inconsistency resulted in a general lack of investor confidence in the programme and worsened the constraints facing the second phase. These constraints, according to Fafowora (1998, p. 35) include:

- i. The failure of government to embark on a successful pre-privatisation programme of economic reform.
- ii. Its failure to implement a change in the structure of incentives, particularly for managers of the privatised SOEs, which has encouraged an atmosphere of corruption and non-commitment to the growth of the enterprise by such managers.
- iii. Its failure to reform SOEs slated for privatisation, which made most SOEs unattractive to investors and a huge financial burden on the state. Moreover, most of the SOEs were under-funded, wasteful, grossly inefficient, inadequately staffed and subject to undue government interference.
- iv. Extensive graft and official corruption in all of these SOEs which rendered many of them financially unviable and unsuitable for privatisation as on-going industries



and commercially viable ventures. Uncertain rules, heavy state regulation and high discretionary powers of public officials further encouraged corruption in these SOEs, gave their officials exceptional powers and provided them opportunities for appropriating public wealth.

- v. The poor state of infrastructure available in the country as a result of which Nigeria's industrial sector continued to suffer frequent interruption of electricity, water, telecommunication, transportation, fuel and gas supply.

### 3.4. Conclusion

In this chapter, the environmental context of Nigeria's privatisation was appraised as a background to an understanding of the nature of and the context within which the programme was implemented. However, since the focus of the current study is on privatised SOEs in Nigeria's finance and petroleum industries, a summary of the key sectoral contrasts between the two industries (in terms of their economic centrality, ownership, product market and industrial relations characteristics and regulation) is essential at this stage.

Briefly, the two sectors are contrasted in the areas of economic centrality, ownership, product market and competition and industrial relations characteristics. The key sectoral characteristics of Nigeria's finance and petroleum industries, although similar in certain respects, also differ markedly. In both sectors, industrial relations is regulated by the same set of labour laws, while the unionisation of junior workers is statutorily compulsory but voluntary in the case of senior employees, excluding top management.

Secondly, before privatisation, SOEs in both sectors were characterised by an ownership pattern in which government owned majority equity, with minority stakes owned by foreign interests and the Nigerian public. Thirdly, similar privatisation methods were employed in both industries- the government divested its majority equity holdings in the privatised SOEs to core investors, and allotted the remaining shares to the enterprises' employees and the Nigerian public. Finally, in both cases, the government did not put any regulatory regime in place to oversee the post-privatisation conduct of the new companies that emerged.

There are however distinguishing sectoral characteristics unique to each sector. For one thing, both industries and their SOEs differ markedly in the nature of their centrality to Nigeria's economy. As already noted in section 3.2.3, Nigeria depends mainly on the oil industry for a majority of her revenue. The finance industry, although important to the nation's economy, is not accorded the same stature as the oil sector. Additionally, the petroleum industry was characterised by high regulation by government, decentralised collective bargaining and highly cohesive trade unions that are the strongest and richest in the country. The finance industry, on the other hand, was characterised by centralised collective bargaining and trade unions (particularly NUBIFIE) which were weakened by a combination of intra-union crisis and increasing competition from the largely non-unionised 'New Generation' financial establishments that emerged following the liberalisation of the sector in the mid-1980s.

There are also marked differences in the ownership and control of product markets between both industries. Before privatisation, the product market in the finance industry was regulated by market forces. Although the Central Bank of Nigeria



supervised the market to some extent, it did not own the product. On the other hand, the Nigerian Federal Government controls and owns the country's oil deposits and gas reserves one hundred percent. Finally, the two industries differed markedly in terms of the nature of competition faced by private companies and SOEs operating in each of them. While liberalisation increased the competition faced by the private companies and SOEs in the finance industry, market competition in the oil industry was not increased by the government's piece-meal efforts at liberalising its downstream sector.

It is important at this stage to note the fact that these similarities and differences in the sectoral characteristics of both industries portend implications for their respective unions and industrial relations after privatisation. Because of these sectoral contrasts, it is valid to examine the impact of privatisation on trade unions and employment relations in Nigeria by evaluating the two sectors. This will be done in chapters four and five.

## CHAPTER FOUR- THE FINANCE INDUSTRY CASE STUDY

### 4.1. Introduction

In this chapter, I will lay out the broad picture of the impact of privatisation on trade unions and employment relationship in Nigeria's finance industry (against a background of an introduction on the sector and its pre-privatisation industrial relations characteristics) under five sections as follows:

- i. An appraisal of the situation before privatisation through an evaluation of measures employer and union power (i.e. the balance of bargaining power, including the political and legal dimensions of power), collective bargaining, union membership size and finances, wages and grievance/disciplinary procedures;
- ii. An evaluation of the situation after privatisation using similar indicators as in (i) above;
- iii. An identification of those elements of change observed in the industry that could be attributed to privatisation (as opposed to other factors) by relating them to specific strategic proposals from employers for restructuring the sector's privatised SOEs, i.e. the post-privatisation corporate strategies of the new companies. This will involve an assessment of the extent to which changes identified can be explained by the new companies' post-privatisation corporate strategies.
- iv. An analysis of those changes that appear to be related to factors other than privatisation, and,
- v. Finally and by way of conclusion, an assessment of the overall impact of privatisation on trade unions and employment relationship.



The analysis will involve an evaluation of trade unions and employment relationship at both macro and micro levels of the industry before and after privatisation, based on the adopted analytical variables defined in chapter one.

#### 4.2. An Appraisal Of The Situation Before Privatisation

The finance sector's pre-privatisation features, its trade unions and employment relationship will be discussed in the first part of this section. In the second part, an empirical evaluation of the industry's pre-privatisation industrial relations characteristics will be conducted (based on measures of employer and union power, collective bargaining, union membership size and finances, wages and grievance/disciplinary procedures defined in chapter one) within a historical context of the period from 1978 to 1989.

##### 4.2.1. The finance industry before privatisation

Ikhide (1998) identifies six categories of institutions operating in Nigeria's finance industry. These are the Central Bank of Nigeria (CBN-the country's apex financial institution), commercial and merchant banks, development finance institutions, thrift and insurance organisations, two Stock Exchanges, a Securities and Exchange Commission and a virile informal financial sector. The number of commercial and merchant banks increased from 12 in 1960 to about 120 at the end of 1992, with a network of 2,391 branches of which commercial banks accounted for 2,275 with 774 of these branches in the rural areas (Ikhide, 1998, p. 6).

Commercial Banks dominate the Nigerian finance industry and its banking sub-sector, accounting for 71.2 per cent of total credit outstanding to the private sector in 1993 (Ibid.). Six Development Finance Institutions also operate in the industry,

including the Nigerian Agricultural and Cooperative Bank, the Nigerian Industrial Development Bank, the Nigerian Bank for Commerce and Industry, the Federal Mortgage Bank, the Nigerian Export-Import Bank (NEXIM) and the Urban Development Bank (Ibid.). These development finance institutions are responsible for providing loans and industrial finance by attracting foreign resources, mobilising domestic savings and allocating investment funds efficiently. As at 1993, the share of the assets of these institutions (minus NEXIM and the Urban Development Bank) in the total assets of all financial institutions in Nigeria was 1.7 percent (see Table 1).

The fourth category of financial institutions are specialised banks established at the onset of SAP (to cater for the ever increasing credit needs of segments of the society not considered lucrative by the commercial and merchant banks) comprised of Community Banks (whose capital requirements are provided by the communities in which they are located) and Peoples Bank (which caters for the needs of small and medium scale entrepreneurs). These specialised banks provide credit facilities at grassroots level and promote self reliance. By 1993, there were 271 Peoples Bank and 879 community bank branches in Nigeria (Ikhide, 1998, p. 6).

Thrift institutions are the fifth category and comprise of mainly insurance companies, pension funds and savings banks. Insurance companies dominate this sub-sector. This category also includes the Nigeria Social Insurance Trust Fund (NSITF- formerly known as the National Provident Fund- NPF) a pensions institution established in 1961 as a social security scheme with contributions from both employers and employees and the Federal Savings Bank established in 1974 to mobilise savings and encourage thrift, which has since been privatised.



Some young and small institutions also compete for funds and customers in the industry. These include finance, leasing and mortgage companies, savings and loans associations and venture capital companies, which came into prominence in the SAP era (Ibid.). As at 1993, about 752 finance houses were in operation although only 310 were licensed (Ibid, p. 8). Discount houses (special non-bank financial institutions providing discounting/rediscounting facilities in government short term securities) also operate in the sector. In 1989, bureaux de change were granted licences by the government to broaden the foreign exchange market and improve the access of small transactors to foreign exchange at the onset of SAP. The National Economic Reconstruction Fund jointly owned by the government, the CBN and other foreign partners was also established to bridge the gap in the provision of local or foreign funds to small and medium-scale enterprises (Ibid.).

It is evident therefore, that Nigeria's finance industry environment was very competitive before privatisation. By 1992, the Federal Government had equity participation in 14 banks with combined assets equivalent to 51 percent of the banking industry's total assets (Nigeria Deposits Insurance Corporation- NDIC, 1992, p. 47 cited in Brownbridge, 1996, p. 5; Tables 2 and 3). As Brownbridge (1996) notes however, the importance of public ownership diminished with the growth of the local private sector in the mid 1980s and the sale of the Federal Government's equity to the private sector in 1992/93 as part of the privatisation of SOEs in the sector.

Before privatisation, the Federal Government's ownership of banks reinforced the controls employed by the CBN to influence resource allocation by the banking industry in three aspects of banking policy. First, the Federal Government almost entirely indigenised the management of these banks by the end of the 1980s with

the exception of only a few specialised posts that were still filled by expatriates. Second, these banks were employed by the government as veritable tools for ensuring the realisation of government macro-economic objective of establishing branches in the rural areas irrespective of profitability. Third, profit-making was de-emphasised as the primary motive for credit policies, which were rather influenced by 'policy lending', i.e. extending credit to the public sector, to locally owned businesses and to the priority 'productive sectors' as set out in the government's credit guidelines (Brownbridge, 1996).

Despite their poor financial performance, the four largest Federal Government banks remained solvent and avoided the distress which afflicted many of the state government and private sector banks (Business Times, 25/9/95, p 3, cited in Brownbridge, 1996, p. 6). These four banks were able to avoid serious trouble (despite their bad debts and high overheads) for a number of reasons. First, they were run by seasoned management employees who were conscious of foreign shareholders' expectations and whose efforts were complemented by experienced professional bankers the Federal Government appointed to executive positions in these banks.

Secondly, these banks' portfolio management were generally cautious. The banks remained very liquid, restricting loans as a share of total assets to below 40 per cent in most years. This had the effect of reducing the adverse impact of non performing loans on their balance sheets. Moreover, their size ensured that their loan portfolio remained well diversified (Brownbridge, 1996). Thirdly, their international links and their historical position as the dominant banks guaranteed them a base of "prime" borrowers among multinational companies operating in Nigeria. Additionally, competition among the large banks was limited by



regulatory controls over interest rates and prior to 1986, by barriers to new entry into the industry. These banks' access to public sector deposits (which together with interest rate controls that ensured that their average cost of funds was low) helped to offset their high overheads. However, extensive bad debts rendered some of the smaller federal government owned banks insolvent, although their fragility was concealed by a combination of public subsidy and improper accounting until stricter prudential standards and financial liberalisation was introduced under SAP in 1986 (Ibid.).

A combination of government interventionist policies (aimed at controlling resource allocation and promoting the indigenisation of the economy) and public sector ownership stifled competition in the industry and provided some degree of protection for inefficient banks. In addition, policy lending (i.e. loans granted to the public sector or to priority sectors in accordance with government credit guidelines) resulted in the build up of extensive non-performing loans in government portfolios (Brownbridge, 1996). Generally, before privatisation Nigeria's banking industry was afflicted by widespread financial fragility. By 1995 almost half the total number of banks in operation in Nigeria was either distressed or potentially distressed (Ikhida, 1998). As Brownbridge (1996) notes, the reforms of the Nigerian financial system in the mid 1980s (i.e. liberalisation and privatisation, strengthening the prudential system and the take-over of some of the distressed banks by the CBN) were aimed at reshaping the banking markets in the direction of efficiency, competition and prudent management.

Before privatisation, 87 insurance companies operated in Nigeria (in 1987) of which 68 were wholly indigenous and 19 were jointly owned by Nigerian and foreign interests. The asset share of insurance institutions in the total for all

financial institutions was put at 2.1 per cent in 1992 (Ikhide, 1998, p. 7). Government ownership of insurance companies however diminished with the privatisation of 13 major insurance SOEs (TCPC, Undated Final Report, pp. 23-70). The environmental context of Nigeria's finance industry portends certain implications for trade unionism and employment relationship after privatisation. In order to elicit the nature of these implications, an overview of the industry's pre-privatisation trade unions and employment relationship is essential.

#### 4.2.2. Overview of pre-privatisation finance industry trade unionism and employment relationship

Under the provisions of section 24 (1) of the 1978 Trade Unions Act as amended, a trade union of which persons in the employment of an employer are members was, on registration, guaranteed automatic recognition by the employer (Fashoyin, 1980). Forty-two industrial unions, twenty-five senior staff associations, and ten employers' associations were initially registered as trade unions in the country (Fashoyin, 1980). Successive restructuring reduced the number of industrial unions to 29 by 1998.

In the finance industry before privatisation NUBIFIE, ASSBIFI and NEABIAI were recognised as trade unions (Ibid.). In this study, our focus is on the impact of privatisation on the NUBIFIE and the ASSBIFI. All unionised junior and senior workers in both private and state-owned companies in the industry were members of NUBIFIE and ASSBIFI respectively, while NEABIAI represented employers. Membership was maintained in the branch of the union at the level of the enterprise where the member is employed and a member reserved the right to resign from the union on giving a notice of such intention in writing to his or her



unit Secretary (Ibid.).

In both private and the public sectors of the industry, the unions' National Executives had responsibility for negotiating collective agreements with management while each domestic or branch committee had responsibility for negotiating certain internal items. The domestic committees acted as the immediate link between the union and the management and advised the unions' National Executive Councils (through their General Secretaries) on current positions of salaries, wages, fringe benefits and other conditions of service in each establishment.

Collective bargaining was the accepted mode of regulating employment relationship in the industry while the substantive terms of the employment contract were negotiated jointly by NUBIFIE/ASSBIFI and NEABIAI on behalf of their respective members. The only exceptions were the privately-owned 'New Generation' banks and insurance companies that emerged in the aftermath of the industry's liberalisation from 1986 onwards that introduced individual employment contracts in their establishments. The mid 1980s thus witnessed the practice of two distinct styles of employment relationships (collectivism and individualism) operating side by side in the industry. While the public service and SOEs recognised trade unions and accepted collective bargaining, the 'New Generation' financial establishments favoured non-unionisation and individual employment contracts.

Where bargaining failed, the trade unions embarked on strikes and other forms of industrial actions. Available data indicate that before privatisation, a majority of the strikes recorded resulted mainly from industrial relations matters. In the period

between 1963 and 1978, for instance, a majority of the strikes recorded were due to issues like wages, conditions of service, discipline and termination (See Table 4).

#### 4.2.3. An empirical measurement of pre-privatisation finance sector industrial relations

A clearer picture of pre-privatisation industrial relations in the industry will however, be better facilitated via an empirical measurement of the sector's pre-privatisation industrial relations conducted on the basis of the under-listed factors:

##### 4.2.3.1. The balance of bargaining power

As noted in chapter one, market factors are not very relevant for the determination of pre-privatisation balance of bargaining power since decisions in most SOEs are often-times premised on political factors. In this section, therefore, pre-privatisation company performance data for UNIC Insurance Plc and FBN Plc will only serve as background data for assessing their post-privatisation performance. For the purpose of measuring employers and unions' bargaining power in the industry before privatisation, our analytical focus will be on non-market factors like the identity of the trade unions, union membership and density, the existence of alternative wage for union members in the event of a temporary work stoppage, union political leverage, the legal context of bargaining as well as macroeconomic factors like the economic centrality of the industry/sector and the macro-level vacancy/unemployment ratio, as follows:



i. The firm's liquid assets

The liquid assets of FBN Plc (privatised in 1992) between 1984 and 1992, and the UNIC Insurance Plc (privatised in 1990) between 1988 and 1990 respectively are examined here in relation to their fixed costs, in order to measure their hypothetical post-privatisation ability to continue to meet their financial obligations following a temporary stoppage. Available data indicate that in 1984, the FBN Plc's total assets stood at =N=4.829 million, rising to =N=7.071 million in 1988 and =N=8.492 million in 1989. By 1990, the bank's total assets declined slightly to =N=8.482 million, rising to =N=16.986 million in 1992 (See Tables 5 and 6).

The bank's gross earnings for the same period increased from =N=379.2 million in 1984 to =N=2.689 billion in 1992, while profit before tax which amounted to =N=49.246 million in 1984 stood at a loss of =N=205 million by 1990. In 1991, the bank sustained an operating loss before tax amounting to =N=31 million, although there was an improvement in profit before tax to =N=366 million in 1992 (Ibid.). Profit after tax which rose from =N=29.144 million in 1984 to =N=86.625 million in 1986, declined to a loss of =N=205 million and =N=31 million in 1990 and 1991 respectively, but increased to =N=335 million in 1992 (Tables 5 and 6 show details of the company's performance for the period under review). The bank's total liability for the period increased from =N=4.829 billion in 1984 to =N=16.689 billion in 1992 while actual dividends per share rose only marginally from 33.3 kobo in 1984 to 40 kobo in 1992, although no dividends were declared by the bank in 1991 (Ibid.).

In line with Smith's (1996) theory, with the fluctuation in the bank's liquid assets in relation to fixed its costs and the progressive decline in its profit margins before

privatisation, it was not very easy for FBN Plc to continue to meet its financial commitments during a temporary stoppage. The bank's bargaining power could therefore, be said to have been on the decline relative to the bargaining power of unions before privatisation.

In the case of UNIC Insurance Plc (privatised in 1990) the company's pre-privatisation financial reports indicate a progressive improvement in the company's performance. For instance, underwriting result improved from =N=8.017 million in 1988 to =N=12.986 million in 1990, although this declined to a loss of =N=2.073 million in 1991. The company's profit before and after tax also increased progressively, with profit after tax increasing from =N=2.461 million in 1988 to =N=14.328 million in 1990, although this declined slightly to =N=13.405 million in 1991 (Table 7 shows details of the company's pre-privatisation performance).

In line with Smith's (1996) theory, with the progressive improvement in UNIC Insurance Plc's performance up to 1990, it was becoming easier for the company to continue to meet its financial commitments during a temporary work stoppage. Its bargaining power relative to unions could thus be said to have improved.

## ii. The firm's inventory

The deposits base of FBN Plc and the net premiums of UNIC Insurance Plc before privatisation are appraised below since, as earlier argued in chapter one, inventories are more relevant in the case of manufacturing companies. FBN Plc's deposits increased progressively from =N=4.115 million in 1984 to =N=11.965 million in 1992 (see Tables 5 and 6). In line with Smith's (1996) theory, such increase in deposit base represents an increased demand for the bank's services



and might induce its employees to demand higher pay settlement. It could also strengthen the bank's bargaining power relative to the unions by enhancing its capacity to induce employees to opt for voluntary retirement/redundancy.

In the case of UNIC Insurance Plc, net written premium rose from =N=44.437 million in 1988 to =N=133.829 million in 1992 (see Table 7). With the improvement in the company's net written premiums over the years, its ability to survive a temporary work stoppage before privatisation (and consequently, its bargaining power) could be said to have progressively increased in line with Smith's (1996) theory.

iii. The level of capital intensity

Between 1984 and 1992, FBN Plc's shareholders fund rose progressively from =N=188.075 million to =N=955 million, while return on shareholders' fund rose from 15 percent to 35 percent (Tables 5 and 6). As Smith (1996) notes, a high level of capital intensity not only leads to demand for higher wages by employees, it lowers a firm's bargaining power by raising rental or interest costs during a temporary stoppage. However, the bank's bargaining power may not be necessarily lowered by its high level of capitalisation in view of the overall improvement in its performance.

In UNIC Insurance Plc, on the other hand, between 1988 and 1990, share capital remained stagnant at =N=15 million (See Table 7). In line with Smith's (1996) theory, this implies stagnation in bargaining power. As noted in the case of FBN Plc however, this may not necessarily be the case in view of the overall improvement in the company's performance during the period.

#### iv. The identity of the trade unions

As noted in chapter one, the identity of a trade union depends on its membership size, reputation, finances, intra and inter-union cohesion, its relationship with relevant employers and its political leverage (Smith, 1996; Rainsberger, 2003). It is important to note that pre-privatisation sectoral data on union membership size in Nigeria's finance industry are not available. In this section therefore, data derived from interviews, company data, trade union income and their remittances to the NLC will be cited.

Available data indicate that at the height of trade union glory in Nigeria between the late 1970s and early 1980s, membership of NUBIFIE and ASSBIFI was estimated at 80,000 and 30,000 respectively (Interview with union representatives, 2002). At the time, the two unions controlled a combined estimated membership of over 100,000 workers. Intra and inter-union solidarity and mobilising potential were also very high as a result of the restructuring of the over 1000 Nigerian trade unions into 42 industrial unions by the federal government in 1978 with the Nigeria Labour Congress (NLC) as the only central labour body (Fashoyin, 1980; Fajana, 2000).

The 1978 restructuring of the trade unions eliminated the unhealthy rivalry and jurisdictional fights that hitherto characterised trade unionism in Nigeria. Shortly before privatisation commenced in the finance industry in 1989 however, membership size of NUBIFIE and ASSBIFI declined to about 75,000 and 20,000 respectively (Interview with the unions' representatives, 2002). Despite this decline and a protracted intra-union crisis in NUBIFIE, the finance sector unions were not taken for granted by employers and the government since their



bargaining power at the time derived more from inter-union solidarity and the support of the NLC.

v. Union density

Data on union density in Nigeria's finance industry are unavailable. Suffice to note however, that this Author's experience indicates that before the industry's liberalisation and the emergence of the so-called 'New Generation' financial institutions, most junior workers in all finance SOEs and private financial institutions were members of the NUBIFIE, while most senior employees were members of the ASSBIFI.

vi. The existence of alternative wage for union members

In Nigeria's finance industry, neither state nor union-administered unemployment insurance existed before privatisation. The availability of alternative income to union members from temporary employment elsewhere or from the income of the striking worker's household was therefore the only other means of enhancing union bargaining power in the event of a temporary work stoppage. The samples of annual average wage (for junior and senior workers) that can be used as a measure of pre-privatisation 'inside option' or alternative wage (Smith, 1996) for members of the NUBIFIE and the ASSBIFI are indicated in Table 8.

As Table 8 shows, there was a wage freeze between 1981 and 1987 and between 1988 and 1990. It will be recalled that the assumption in the privatisation literature is that during wage freeze, trade unions are at a disadvantage. The availability of the alternative wage indicated in Table 8 to the two unions' members is moreover,

a function of their chances of securing alternative employment as represented by pre-privatisation macro level vacancy to unemployment ratio.

vii. The macro level vacancy/unemployment ratio

The indicators of vacancies and unemployment and the ratio of vacancies to unemployment for lower grade workers and for professionals and executives in Nigeria from 1970 to 1986 are indicated in Tables 9 to 11. As Table 11 indicates, the vacancy to unemployment ratio for lower grade workers (NUBIFIE members belong to this category) declined from 18.73 percent in 1982 to 14.63 percent in 1989. For professionals and executives (members of ASSBFI belong to this category) the ratio declined from 26.13 percent in 1984 to 21.64 percent in 1989. It is evident from the preceding data that the unions' members had an average chance of securing alternative employment in the event of a temporary stoppage before privatisation. According to Layard and Nickell (1986) and Smith (1996) such a trend will have a positive effect on the bargained wage and the expected value of the employees 'inside option'.

viii. The economic centrality of the industry/sector

The pre-privatisation finance industry was not as important as the petroleum industry to Nigeria's economy. As Ikhida (1998, p. 5) notes, the Nigerian banking system was distressed before the industry's deregulation in the early 1980s, with close to 42 banks severely distressed and 45 percent of loans classified as non-performing. The performance of major monetary and financial ratios also failed to show any appreciable improvement. For example, loans and advances (measured as a ratio of Gross Domestic Product- GDP) declined from 25.6 percent in 1986 to



14.3 percent in 1990, with the aggregate domestic credit GDP ratio, which peaked at 50.3 percent in 1986, halved by 1993.

Pre-reform government intervention in banking markets left large numbers of the banks in financial distress as a result of which the Central Bank of Nigeria (CBN) liquidated 26 banks in 1998 (The Economic Intelligence Unit, 2003, p. 37). Since 1987, the focus of financial sector reforms in Nigeria has been on elements of liberalisation and measures aimed at enhancing prudential regulation and tackling distress in the industry. According to Brownbridge (1996) government control of financial markets, public ownership of banks and the neglect of prudential regulation had detrimental effects on the banking system, especially in terms of the quality of banks' loan portfolios, efficiency and competition. As Brownbridge (1996) also notes, the efficacy of financial liberalisation and other financial sector reforms to enhance the efficiency of intermediation in banking markets was limited, in part because of the legacy of intervention and also because some of the reforms were inappropriately sequenced and others were not implemented in a consistent manner.

According to Ikhide (1998, p. 6) at the end of 1985, the ownership structure of commercial banks indicated dominance by the government (58 percent) followed by private share holders (22.5 percent) with foreign interests holding 18.9 percent. As part of the privatisation programme, the Federal Government sold most of its equity holdings in seven commercial banks and two merchant banks to Nigerian private investors by 1992/93, thereby tilting the ownership structure in favour of private Nigerian investors and foreign interests (see Tables 2 and 3 for details).

ix. The political context of bargaining

The political experiences of the finance sector unions before privatisation are not different from that of their counterparts in other industries. As Beckman (2002) validly notes, Nigerian unions were significant in national politics and had a history of independent organisation, shop floor militancy and political intervention. According to Falola and Ihonvbere (1985) however, the Nigerian state historically intervened in labour relations in order to promote industrial peace, although in reality, the rules and regulations that the state passes consistently promoted the power of employers over those of labour through periodic wage reviews, manipulation of ethnic and religious sentiments, as well as direct and indirect infiltration of the unions (Ibid.).

These experiences varied with the nature of the government in power. As Falola and Ihonvbere (1985) note, the military government passed several draconian decrees which directly banned strikes, excluded certain persons from trade unionism, banned the trade unions from politics and certain occupations from forming trade unions in order to weaken the power of organised labour. For example, the Trade Disputes (Emergency Provisions) Decree 21 of 1968 and its 1969 amendment directly banned any form of strike actions and was later replaced with the 1976 Trade Disputes Decree that included the 'no-work, no pay' clause. The autocratic character of the military government and its numerous draconian decrees however, did very little damage to the capacity of Nigerian unions (including the NUBIFIE and the ASSBIFI) to embark upon strikes and other forms of protest. The labour control tactics of the State under President Shagari's government during Nigeria's Second Republic also had very little impact on the power of unions (Ibid.).



The period between 1979 and 1982 was the height of trade union power in Nigeria. For much of the military rule of the 1980s, as Falola and Ihonvbere (1985) and Beckman (2002) note, Nigerian trade unions confronted the State over minimum wage and fought a running battle over SAP. In the finance industry however, the political influence of NUBIFIE depreciated as a result of a combination of the effects of liberalisation in the industry and an intra-union succession crisis between the so-called ‘democrats’ and ‘conservative’ factions which began in the mid-1980s. Despite NUBIFIE’s crisis however, the union continued to engage in bargaining with the NEABIAI on matters affecting the welfare of its members before privatisation.

x. The legal context of bargaining

Before privatisation, trade unionism in Nigeria’s finance industry was regulated by the provisions of Nigeria’s various labour legislations like the Trade Disputes (Emergency Provisions) Decree No. 7 of 1976 (complemented by the May 1976 Trade Disputes (Essential Services) Decree No. 23) which empowers the Federal Government to dissolve trade unions that contravene its provisions and classified some duties- armed forces, police, immigrations and custom services, etc, as essential services) and the 1978 Trade Unions Act (as amended) discussed earlier in section 4.2.2 which made trade union recognition by employers compulsory.

Generally, Nigeria’s labour laws stipulated guidelines for the conduct of industrial relations and stipulated penalties for any breach by unions and employers. As noted by various authors (Fashoyin, 1980 and Fajana 2000, for instance) the legal context of bargaining moderated union-management relationship, with collective bargaining generally accepted by most (including finance) employers. Nigerian

labour laws before privatisation thus provided an arena in which unions were able to freely organise and bargain collectively.

The question this stage is how can the measures of bargaining power discussed in the preceding paragraphs translate into actual empirical measurements of pre-privatisation bargaining power in the finance industry? As an empirical matter the challenge, as Scott M. Fuess Jr. (2001) notes, lies in developing measures for union bargaining power. However, as earlier noted in the literature review chapter, Scott's M. Fuess Jr.'s (2001, p. 8) formula for measuring bargaining power is not very relevant in a pre-privatisation (non-market) setting where political factors, rather than the interplay of market forces, determine the fortunes of SOEs.

Suffice to note therefore, that as evidenced from the analysis in this section, Nigerian trade unions (including finance sector unions) were politically influential before privatisation, contrary to what the empirical (market) measures of bargaining power discussed above indicate. Political factors, as several scholars have argued, accounted for the unions' success in influencing government wage policies and other conditions of employment to their advantage (see Fashoyin, 1980, Falola and Ihonvbere, 1985, Fajana, 2000 and Beckman, 2002, for instance).

#### 4.2.3.2. Collective Bargaining

Collective bargaining in the finance industry before privatisation was centralised, with collective agreements negotiated every two years by NUBIFIE /ASSBIFI with NEABIAI under the umbrella of the industry's Joint Negotiating Council (JNC). The domestic units or branch committees of both unions however, negotiated certain internal items at the company level (Fashoyin 1980). With the exception of the 'New Generation' financial establishments, employment



relationship in SOEs and privately-owned establishments in the industry (including FBN and UNIC Insurance Plc) was determined through collective bargaining. At the time, collective bargaining in the industry focussed mainly on industrial relations matters like wages, conditions of service, discipline and termination, hours of work and overtime rate, allowance and bonus, anti-union actions and union recognition, irregular payment of wages, refusal to bargain, violation of collective agreements, promotion and grading, removal of management, commission awards, and benefits, etc (Fashoyin, 1980).

#### 4.2.3.3. Union Membership size and finances

As earlier noted in this chapter, shortly before privatisation NUBIFIE's estimated membership size declined from 80,000 to about 75,000 workers, while that of ASSBIFI's declined from 30,000 to about 20,000 (Interviews with union representatives, 2002). In the area of union finances, although pre-privatisation union revenue records were unavailable for both the NUBIFIE and the ASSBIFI, representatives of the two unions interviewed by this Author claimed the trade unions were financially buoyant up to the late 1980s. According to a representative of the NLC, the NUBIFIE was the second richest Nigerian trade union up to 1986 (Interview, 2002).

#### 4.2.3.4. Wages

As Beckman (2002) notes, government wage awards served as a benchmark for much of the Nigerian private sector (including the finance industry) in the period before privatisation. The government, however, encouraged employers and workers to try to settle wages through free and voluntary negotiations (i.e. by

collective bargaining) although it intervened in the process as an impartial arbiter (Fashoyin, 1980). In the finance industry, wages were negotiated by NUBIFIE/ASSBIFI and NEABIAI on behalf of their respective members.

As Fashoyin (1980) notes however, despite the widespread use of collective bargaining in Nigeria's private sector, the crucial decisions about wages were made through government commissions and committees established to review wages and through debates in the political arena. Although no data is available on the specific impact of finance sector unions on wage increments before privatisation, there is evidence to indicate that NUBIFIE and ASSBIFI negotiated favourably on their members' behalf (Fashoyin 1980).

#### 4.2.3.5. Grievance/disciplinary procedures

As Fashoyin (1980) notes, in collective agreements (including that of the finance sector) before privatisation, provision was made for the settlement of disputes and grievances arising from the interpretation of the agreements or other areas not included in the agreement, while section 3(1) of the 1976 Trade Disputes Decree required the trade unions and management to specify methods for settling disputes (through a grievance clause in the collective agreement). Irrespective of the nature of the grievance, the grievance machinery (a combination of in-plant and statutory procedures) provided for several stages for settling disputes between union members and management.

Disputes not settled internally in the SOEs were referred to the IAP and the NIC for compulsory mediation, conciliation or arbitration. The Trade Disputes (Amendment) Decree No. 54 of 1977 (which reinforced Decree No. 7 of 1976) granted the Minister of Labour discretionary powers to appoint a conciliator, refer



a dispute to the IAP or institute a board of inquiry and made conciliation agreements signed by all parties to a dispute binding.

#### 4.2.4. Conclusion

A summary of the key features of employment relationship in Nigeria's finance industry before privatisation is important at this stage as this will facilitate a comparison with the post-privatisation trend. As noted earlier in this chapter, Nigeria's finance trade unions were able to influence government wage policies and the terms of employment to their advantage before privatisation. Trade union cohesion and power at both levels of unionism were also strengthened by the 1978 restructuring exercise.

Despite the effects of military dictatorship on trade union power, finance unions remained relevant and financially buoyant, while their combined estimated membership of over 100,000 workers enhanced their mobilising and strike capacities. Moreover, the macro level vacancy/unemployment ratio favoured union members and enhanced their bargaining power. Union recognition by employers was also mandatory and there was an overwhelming support amongst both parties for centralised collective bargaining as the most appropriate method for mediating the employment relationship (except in the so-called 'New Generation' banks and insurance companies where individual employment contracts prevailed).

Collective bargaining was regulated by the provisions of Nigeria's various labour laws, NEABIAI and NUBIFIE/ASSBIFI collectively negotiated wages and other terms of employment under the aegis of the Banking and Insurance Joint Negotiating Council (JNC) and collective bargaining focused mainly on industrial relations matters (Fashoyin, 1980).

With specific reference to the case study SOEs, evidence from this study indicates

that collectivism was accepted in FBN and UNIC Insurance Plc, while the potential power of the employers or unions to unilaterally decide the rules, regulations and agreements of the employment relationship was curtailed by the terms of the industry-wide collective agreements and the country's labour laws.

There is evidence to indicate however that NUBIFIE and ASSBIFI's membership size declined before privatisation largely as a result of the effects of distress precipitated by pre-reform government intervention in the industry, SAP and liberalisation. Although union revenue records for the pre-privatisation period were unavailable for both NUBIFIE and ASSBIFI, evidence from this chapter indicates however, that the two trade unions were financially buoyant up to the late 1980s.

Before privatisation, arbitration was compulsory in the industry and in UNIC Insurance and FBN Plc, with penalties stipulated for failure to report disputes or strikes. Strikes and lockouts were prohibited in cases where the process of conciliation and arbitration were in progress. With the exception of the 'New Generation' financial institutions, disputes not settled internally were referred to the IAP and NIC for compulsory mediation, conciliation or arbitration.

#### 4.3. An Evaluation Of The Situation After Privatisation

The analysis in this section will be conducted on the basis of a thorough evaluation of similar variables employed in section 4.2 but within the context of the period between 1993 and 2003, as follows:

##### 4.3.1. The balance of bargaining power

As noted in chapter one, market and political factors are both relevant for the determination of post-privatisation bargaining power of unions and employers. In



this section, therefore, in addition to political factors, indicators of company performance like liquid assets, inventory and capital intensity between 1993 and 2003 will be evaluated in order to empirically measure the balance of post-privatisation bargaining power between finance unions and employers. Other factors like the identity of the trade unions, union membership size and density, the existence of alternative wage for union members, the political and legal contexts of bargaining, the economic centrality of the industry/sector and the macro-level vacancy/unemployment ratio are also taken into consideration, as under-listed:

i. The firm's liquid assets

The liquid assets of FBN and UNIC Insurance Plc between 1993 and 2003 will be examined here in relation to their fixed costs, in order to measure their post-privatisation ability to continue to meet their financial obligations following a temporary stoppage. Between 1993 and 1995, FBN Plc's fortunes improved dramatically, with total assets (which stood at =N=26.2 billion in 1993) rising to =N=63.9 billion in 1995 (see Table 12). Between 1996 and 2003, the bank's total assets grew from =N=72.819 billion to =N=320.578 billion (see Tables 12 and 13). Gross earnings increased from =N=5.39 billion in 1993 to =N=41.717 billion in 2002 (Ibid.) and by another 8 percent to =N=45.055 billion in 2003 (FBN Plc, 2003 Annual Report and Accounts) while profit before tax rose from =N=1.196 billion to =N=13.4 billion and profit after tax from =N=0.997 billion to =N=10.3 billion.

The bank's cost to income ratio declined progressively (signifying a reduction in overhead cost) from 77.5 percent to 70 percent, while staff productivity rose by 48

percent to =N=1 million per staff (FBN Plc, Abridged Annual Reports and Accounts, 2000/2001, p. 12; 2003 Annual Report and Accounts). As at 2000, overheads (excluding provisions for bad and doubtful debts) stood at =N=14.6 billion, an increase of only 5.9 percent over the 1999 overheads of =N=13.794 billion, when compared with the 37.2 percent increase for 2001. Though overall operating cost went up from =N=21.7 billion in 2000 to =N=22.9 billion in 2001, efficiency ratio (i.e. the ratio of operating cost to earnings) stood at 75.5 percent in 2001 compared to 77.5 percent in 2000 (Ibid.). The bank's liability with respect to hiring charges on leased equipment for 2000/2001 also declined by 20 percent from =N=222 million in 2000 to =N=177 million in 2001 (FBN Plc, Annual Reports and Accounts, 2000/2001, p. 55). Actual dividends per share also rose from =N=0.70 in 1993 to =N=1.30 in 2001 (Abridged Annual Reports and Accounts, 2000/2001, p. 52).

In line with Smith's (1996) theory, with the improvement in FBN Plc's performance and the increase in its liquid assets in relation to fixed costs, as early as 2000/2001, it had become easier for the bank to continue to meet its financial commitments during a temporary stoppage. The bank's bargaining power could therefore be said to have increased relative to the bargaining power of the unions.

The economic fortune of the UNIC Insurance Plc, on the other hand, did not quite improve so phenomenally. Three years after its privatisation (i.e. in 1993) the company sustained a loss of =N=38.2 million in its underwriting operations, posted no profit and sustained an operating loss of =N=20.39 million. By 1994, it lost =N=7.5 million in its underwriting result but retained a profit of =N=7.7 million (its first profit for several years), profit before taxation rose from =N=19.56 million (1994) to =N=53.13 million in 1995, =N=63.854 million in



1996 and =N=85.304 million in 1998. The company, however, sustained an operating loss of =N=59.315 million in 1999 (see Table 14). In 2000, the company sustained a technical loss, although income from investments led to a profit of =N=51.627 million (see UNIC Insurance Plc, 2000 Annual Reports and Accounts, p. 7). Profit after tax for the 1994 to 2000 period rose from =N=17.198 million in 1994 to =N=45.923 million in 2000 (Ibid.).

It is logical therefore, to argue, in line with Smith's (1996) theory, that with the improvement in the company's performance, by 2000 it was easier for the company to continue to meet its financial commitments during a stoppage. The company's bargaining power could therefore be said to have increased in relation to the bargaining power of the unions.

## ii. The firm's inventory

The deposits base of FBN Plc and the net premiums of UNIC Insurance Plc are appraised below with a view toward measuring their bargaining power relative to the unions. FBN Plc's deposits base increased progressively following the bank's privatisation in 1992, rising from =N=55.498 billion in 1996 to =N=148.279 billion in 2001. The bank's ability to survive a temporary work stoppage could therefore be said to have increased, in line with Smith's (1996) theory. Such an increased deposit base could be said to represent an increased demand for the bank's services and might induce its employees to demand higher pay settlement. It could also strengthen the bank's bargaining power relative to the unions by enhancing its capacity to induce employees to opt for voluntary retirement/redundancy.

In the case of UNIC Insurance Plc, net written premium rose from =N=0.274 billion in 1994 to =N=0.876 billion in 2000, an increase of 219 percent (see Table 14). This increase could be said to represent an increased demand for the company's services but might induce its employees to demand higher pay settlement. It could also strengthen the company's bargaining power relative to the unions by enhancing its capacity to induce employees to opt for voluntary retirement/redundancy (as a result of improved profits and overall performance). With the improvement in the company's net written premiums, its post-privatisation ability to survive a temporary work stoppage (and consequently, its bargaining power) could be said to have increased in line with Smith's (1996) theory.

iii. The level of capital intensity

As at 2001, FBN Plc's level of capitalisation was the highest amongst private sector firms in Nigeria (FBN Plc, Abridged Annual Report and Accounts, 2000/2001, p. 8). Between 1996 and 2001, its shareholders fund rose by 167.33 percent from =N=6.394 billion to =N=17.093 billion (see Table 13), while return on shareholders' fund rose from 16 percent to 27 percent. Called up share capital also rose from =N=650 million in 2000 to =N=813 million in 2001 (FBN Plc, Annual Report and Accounts, 2000/2001, p. 47).

As Smith (1996) notes, such high level of capital intensity not only leads to demand for higher wages by employees, it lowers a firm's bargaining power by raising rental or interest costs during a temporary stoppage. However, the bank's bargaining power may not necessarily be lowered by its high level of capitalisation in view of the improvement in its overall performance.



In UNIC Insurance Plc, on the other hand, between 1994 and 2000, shareholders fund rose by 426 percent from =N=138 million to =N=726 million (see Table 14). Share capital also increased from =N=21 million to =N=99.4 million, while capital reserve increased by 176.6 percent from =N=72.6 million to =N=200.8 million (Ibid.). According to Smith (1996) such high level of capitalisation lowers a firm's bargaining power by raising rental or interest costs during a temporary stoppage. As noted in the case of FBN Plc however, this may not necessarily be the case.

iv. The identity of the trade unions

Available data indicate that NUBIFIE's membership size declined from 70,000 in 1994 (see Table 15) to 15,000 in 2002 (NUBIFIE, 2001, p. 1). In the case of ASSBIFI, between 2000 and 2002, membership size declined from 18,000 to 10,000 (Interview with ASSBIFI's Secretary- General, 2002). A reduction in union membership size, as Smith (1996) notes, is equivalent to a reduction in financial strength and bargaining power.

Of the two unions, only ASSBIFI appears politically stable after privatisation, with NUBIFIE plagued by protracted intra-union crisis and a high turnover in the ranks of its administrative and political leadership. Some branch executives of the union capitalised on its consequent vulnerability to negotiate redundancy with their managements during privatisation, as was the case in UNIC Insurance Plc in 2001 (NUBIFIE, 2001, p. 4-6). The non-cohesion of NUBIFIE implies reduced bargaining power, since a disunited union cannot expect to be very effective in negotiations with employers.

v. Union density

Despite the scarcity of post-privatisation finance sector union density data, it is safe to conclude (based on the reduction in the post-privatisation macro-level membership of NUBIFIE and ASSBIFI) that union density in the industry declined after privatisation. It is equally safe to conclude that, consequently, the mobilising and strike capacities of the unions also declined. The unions would thus be less willing than the company might be to pursue a bargaining strategy that could induce work stoppage after privatisation.

vi. The existence of alternative wage for union members

In Nigeria's finance industry, neither state nor union-administered unemployment insurance exists after privatisation. The availability of alternative income ('inside option wage') to union members from temporary employment elsewhere or from the income of the striking worker's household therefore, remains the only other means of enhancing union bargaining power. The samples of annual average wage that can be used as a measure of alternative income for union members in the industry after privatisation in case of temporary stoppage are indicated in Tables 8 and 16. As already noted in this study however, the availability of such alternative wage to union members is a function of macro level vacancy to unemployment ratio.

vii. The macro level vacancy/unemployment ratio

The number of registered unemployed, vacancies declared and the ratio of vacancies to unemployment in Nigeria for lower grade workers and for



professionals and executives from 1970 to 2001 is shown in Tables 9 to 11. As Table 11 indicates, the vacancy to unemployment ratio for lower grade workers (mainly NUBIFIE members) which was 18.73 percent in 1982 declined to 7.29 percent by 2001. For professionals and executives (mainly ASSBIFI members) the ratio was 26.13 percent in 1984 but declined to 0.002 percent by 2001.

Evidence from the three Tables indicate therefore, that it was more difficult for members of NUBIFIE and ASSBIFI to get temporary employment (and consequently, alternative wage) in case of temporary stoppage in 2001 than it was before privatisation, although it was easier for ASSBIFI (than it was for NUBIFIE) members. Hence, union bargaining power could be said to have declined after privatisation, in line with Smith's (1996) theory.

viii. The economic centrality of the industry/sector

In 1992 there were 66 commercial banks and 54 merchant banks operating in Nigeria. Of the commercial banks, 26 were owned by private Nigerian investors, 7 were jointly owned by Nigerian private/foreign interests, 6 were jointly owned by the Federal Government/foreign investors, 2 were wholly owned by the Federal Government and 25 by Nigerian State Governments (Brownbridge, 1996, p. 24). The Federal Government completely owned 2 merchant banks and jointly owned 3 merchant banks with foreign investors, while 41 merchant banks were owned by private Nigerian investors and one merchant bank had state government participation (see Table 3).

In the case of the insurance industry, in 1998 there were 140 registered insurance companies in Nigeria. Of these, 125 were wholly indigenous while 15 were jointly owned (CBN, 1998, p. 63). By the end of 1998 however, the government had

privatised majority of its equity holding in banks and 13 major insurance SOEs, including the UNIC Insurance Plc (BPE, Undated Final Report, Vol. 2, p. 6). After privatisation, government's role became limited solely to policing the industry through policy guidelines issued by the CBN and the NDIC, the two government agencies charged with regulating the industry. Consequently, the centrality of the finance industry to Nigeria's economy diminished further after privatisation.

ix. The political context of bargaining

During privatisation in the industry, the military dictatorship employed some draconian measures and decrees unrelated to privatisation to muzzle the NLC to which the NUBIFIE is affiliated and consequently, indirectly deprived NUBIFIE and ASSBIFI of vital support for their struggle against privatisation between 1994 and 1998. The conduct of leadership elections in the NLC in 1998 and the transfer power to a democratically-elected government in 1998 however, renewed the unions' capacity to intervene in public policy and muster broad labour support. There is no evidence from this study to indicate that NUBIFIE/ASSBIFI availed themselves of their renewed political advantage after privatisation.

x. The legal context of bargaining

The post-privatisation legal context of bargaining was in no way different from what obtained in other sectors of the Nigerian economy. Trade unionism in the sector remains regulated by the same set of labour laws. In 1994 however, the military dictatorship of General Abacha promulgated the Trade Unions Dissolution of National Executives Decree 9 that dissolved the national leadership of NLC to which the NUBIFIE is affiliated and appointed a Sole Administrator to



run its affairs in a politically-motivated measure unrelated to privatisation. The decree impaired the traditional union solidarity NUBIFIE/ASSBIFI could have benefited from.

The government also promulgated the Trade Unions (Amendment) Decree No. 4 of 1996, which (amongst others) laid the ground rules for the restructuring of Nigerian unions from 41 to 29 and granted the Minister for Employment, Labour and Productivity overriding powers to intervene in industrial relations to apprehend a trade dispute, refer it to the IAP and approve the IAP's final decision. These politically-motivated legislations aimed at subduing Nigerian unions were unrelated to privatisation.

#### 4.3.1.1. Empirical measurement of the balance of bargaining power

The indicators of bargaining power evaluated above are meant to aid an empirical measurement of post-privatisation balance of bargaining power between finance sector unions and employers. In order to translate these indicators of bargaining power into empirical measures however, macro level post-privatisation data on both opening demands and settlement terms of wage negotiations in the industry between 1992 and 2000 for the NUBIFIE and ASSBIFI are examined below, based on Scott M. Fuess Jr.'s (2001, p. 5) formula discussed in chapter one. According to Scott M. Fuess Jr. (2001, p. 5) union leverage (?) can be indexed as:

$$? = (w/d) \times 100 \text{ where } w \text{ is the contract wage and } d \text{ is wage demanded.}$$

As Table 17 indicates, NUBIFIE experienced a short term increase of 2.5 percent union leverage between 1992 and 1994 and by another 2.5 percent between 1994 and 1996. By 1998 however, the long-term effects of privatisation were beginning to manifest on NUBIFIE's leverage and by extension, its bargaining power.

NUBIFIE's leverage for the period dropped from 27.5 percent in 1996 to 7.5 percent in 1998. This coincides with a time when most privatised SOEs in the industry were undergoing restructuring.

NUBIFIE however, experienced a surge in leverage by 2.5 percent in 2000, accompanied by a 3 percent decline (from 10 percent in 2000 to 7 percent) in 2002. In the case of ASSBIFI, union leverage declined by 5 percent between 1993 and 1995 and by 30 percent between 1995 and 1997. There were no data for 1999, although the ASSBIFI experienced a 15 percent increase in leverage between 1997 and 2000, accompanied by a 5 percent increase in leverage in 2002 (see Table 18).

According to Scott's M. Fuess Jr.'s (2001, p. 8) theory, if unions and firms have routinely achieved harmony in their wage negotiations, leverage ( $\lambda$ ) will be fairly steady over time. However, if consensus is realised simply by splitting their differences,  $\lambda = 50$ , meaning that unions obtained half of the amounts demanded. If, on the other hand, unions are not keen to press their demands,  $\lambda < 50$ . If union leverage is eroded along with the decline in union density, then  $\lambda$  should fall for the latter years of the sample. Every time contractual pay growth falls by at least one percent, union power is assumed to have dropped and vice versa.

As Table 17 indicates, NUBIFIE and employers in the industry routinely achieved harmony in their wage negotiations in the short term following privatisation i.e., between 1992 and 1994 and between 1994 and 1996. By 1998, however, the reverse was the case- an indication of a decline in the union's political leverage. At no time was there a consensus between the union and finance employers. In the case of ASSBIFI, wages were decided in 1993 via a consensus with employers. Between 1995 and 2002, however, Table 18 indicates that ASSBIFI was not too



keen to press its demands, probably due to a decline in its bargaining power arising from the decline in its membership size and finances.

#### 4.3.2. Collective bargaining

As noted in chapter one, the privatisation literature assumes that SOEs are governed by private sector industrial relations after privatisation (see Pedersini, 2000, for instance). Before privatisation in the finance industry however, SOEs were governed by a mixture of public and private sector industrial relations practices. NUBIFIE and ASSBIFI regarded themselves as private sector unions, although their membership comprised of employees of both public and privately-owned financial establishments as was the case in FBN Plc and UNIC Insurance Plc where security of employment was guaranteed until retirement. However, pre-privatisation wages and other conditions of service in the SOEs were not negotiated by NUBIFIE/ASSBIFI with the Public Service Joint Negotiating Councils.

There is no evidence from this study to suggest that the legal framework of collective bargaining in the industry was modified in any way as a result of privatisation. However, there is evidence of a reduction in bargaining coverage. In FBN Plc, for instance, the entire members of NUBIFIE and ASSBIFI withdrew their membership in exchange for enhanced salaries, in a move related to the bank's post-privatisation restructuring (FBN Plc's NUBIFIE Domestic Committee, 2001; NUBIFIE/ASSBIFI, 2001).

There is also some evidence to indicate that collective bargaining is gradually being replaced with individualism in the privatised SOEs, as evidenced by the case of FBN Plc where individual employment contracts completely replaced industry-

wide collective agreements (Interview with representatives of FBN Plc.'s management and NUBIFIE/ASSBIFI representatives, 2002). In UNIC Insurance Plc, collective bargaining operates alongside individual employment contracts for de-unionised employees (Interviews with management and union representatives, 2002). NUBIFIE representatives claimed that at least 200 unionised employees of the UNIC Insurance Plc who were retrenched during post-privatisation restructuring were re-engaged as non-unionised, contract workers (Interviews with union representatives, 2002). By March 1992, only 33 employees of the company were covered by the company's collective agreement with NUBIFIE (NUBIFIE 2001; Interview with union and management representatives, 2002).

The ASSBIFI Secretary General corroborates this claim. According to him:

"They (managements) have now reduced the collective employment situation to direct employment. It is that employment letter you signed that becomes the contract and not a collective agreement that came through collective bargaining that is industry-wide" (Interview, 2002).

The company's management representative justified the new trend as legitimate contracts negotiated with the employees concerned (Interview, 2002).

Due to their new preference for decentralised collective bargaining, management in some of the privatised SOEs, increasingly prefer to negotiate redundancy with their in-house unions, despite the fact that the post-privatisation structures of the unions remain unchanged. For example, the redundancy agreement in UNIC Insurance Plc in 2000 was negotiated and signed by the management and the branch NUBIFIE. The agreement resulted in the reduction of the remaining membership of the union from 114 to 33 employees (NUBIFIE, 2001, p. 6). Prior to the agreement, the national secretariat of NUBIFIE requested a negotiation of



the redundancy exercise with the management but the request was turned down and NUBIFIE picketed the company in August 2001 (Interviews with NUBIFIE President and UNIC Insurance Plc Personnel Manager, 2002).

This new preference by management in the privatised finance sector SOEs for decentralised bargaining made post-privatisation collective bargaining in the industry more volatile. As ASSBIFI's Secretary General notes for instance;

"Redundancy packages in UNIC Insurance Company Plc were done out of negotiations, tough ones, especially in UNIC. It was tough" (Interview, 2002).

ASSBIFI Secretary-General sums up the new trend in collective bargaining in the industry in the following words;

"Because of privatisation, there is competition in the industry and managements are inducing union members to de-unionise and thereby ignore collective agreements. Individualism is increasingly becoming the norm with managements employing divide and rule, paying non-unionised employees more and unionised employees less. Most of those who de-unionise end up sacked as in the case of Leadway Assurance Plc where ASSBIFI was eliminated and Lion of Africa Insurance Company as well as some banks and other insurance companies" (Interview, 2002).

Privatisation however, benefited the unions in the area of negotiating redundancy benefits for their members affected by post-privatisation restructuring. For example, in FBN Plc, UNIC Insurance Plc and Royal Exchange Assurance, NUBIFIE and ASSBIFI demanded for upfront payment of basic salaries and other allowances to their affected members (Interviews with union representatives, 2002).

As the ASSBIFI Secretary General notes,

"Because of the upsurge of this phenomenon (privatisation) we are now going beyond what we have in the collective agreement and are now asking these managements, depending on their abilities, to pay beyond the provisions of the collective agreement...Privatisation provides us a leeway to demand for more each time we want to negotiate because it has been proven that these employers can do better than what we ask. So it strengthened our negotiating power. It strengthened our bargaining instrument" (Interview, 2002).

NUBIFIE's General Secretary, confirmed ASSBIFI's claim. According to him:

"If there is a change of management definitely the staff- workers there will be affected... And if at all there is need for them to be retrenched or rationalised, we discuss their terms and conditions of exit. We are able to negotiate the number of people to go, their compensation with regard to allowances, their gratuities and other remuneration that at least will make them feel that they have something substantial so that when they lose their jobs they will not be stranded or something like that" (Interview, 2002).

According to the NUBIFIE President:

"If there is a process of retrenchment in any given organisation, we (NUBIFIE) do go for meetings leading to that retrenchment. We try to negotiate with the management what becomes the position of our members, what represents their entitlement, and in some cases, how to avoid it if it is avoidable" (Interview, 2002).

Management representatives corroborated the unions' claims. In UNIC Insurance Plc for instance, the terminal benefits paid to staff declared redundant under the company's restructuring exercises were far above benefits agreed in the existing



collective agreement following tough negotiations by both parties. According to the company's Personnel Manager,

"Redundant staff members have been earmarked for disengagement with generous severance packages, considerably in excess of the company's obligations under the collective agreement reached with the unions and paid to the affected staff" (Interview, 2002 and UNIC Insurance Plc's Press release of 5<sup>th</sup> September 2001, p. 1).

As part of the gains of privatisation, the national organ of NUBIFIE successfully negotiated a minimum wage and 30 percent increase in the total emolument of its members (NUBIFIE, 2000a). In July 2003, NUBIFIE also agreed a 35 percent across-the-board increase in basic salaries and allowances for both the banking and insurance groups (back-dated to 1<sup>st</sup> October 2002). Under article 5 of the 2003 NUBIFIE/ NEABIAI collective agreement, both parties also agreed varying degrees of compensation for employees declared redundant in the industry (NUBIFIE and NEABIAI, 2003, pp. 2-3).

Because of the impact of privatisation on collective bargaining, NUBIFIE and ASSBIFI now engage in joint industrial actions to protect their members' interests. For instance, the two unions (in collaboration with NLC and NUPENG) established a joint committee on de-unionisation in 2001 under the aegis of which several companies in the finance and petroleum industries (including FBN and UNIC Insurance Plc) were jointly picketed. The NLC and the NUBIFIE picketed the headquarters of FBN Plc and some of its branches in Lagos on May 21, 2001 ('Thisday News', 2001, p. 4).

Evidence from this study however, indicates that privatisation has made dialogue, rather than strikes and work stoppages, the unions' preferred bargaining method.

According to NUBIFIE President, "The era of strike and strike and strike every day of the week is gone. Rather, we try to go into dialogue and consultation to see how we can talk about any ugly situation without necessarily going out on strike action direct and it is producing results where we have reasonable management" (Interview, 2002).

#### 4.3.3. Union membership size and finances

Evidence from this study indicates a decline in the post-privatisation membership size of NUBIFIE/ASSBIFI. Despite evidence of long term nominal increases in the membership size of NUBIFIE (Table 19) which was due mainly to the unionisation of casual employees in some privately-owned banks and insurance companies (Interview with union representatives, 2002) there is no evidence to indicate any appreciable increase in the union's membership in the privatised SOEs. In FBN Plc for instance, post-privatisation membership size of NUBIFIE and ASSBIFI was reduced to zero. At the macro sectoral level, the membership size of NUBIFIE, as noted earlier, also declined (see NUBIFIE, 2002 and Table 19) with the union losing about 75 percent of its membership within ten years of privatisation of finance SOEs and ASSBIFI only slightly better off.

Company data substantiate the evidence of a decline in union membership size. The membership size of ASSBIFI and NUBIFIE in UNIC Insurance Plc for instance, declined in proportion to the decline in the company's total workforce, which was 554 in 1997, remained static in 1998, experienced a progressive decline from 554 to 478 between 1998 and 2000 and declined to 225 workers in 2002 (UNIC Insurance Plc's Annual Reports and Accounts, 1998, p.32; 1999, p. 30 and



2000, p. 31. Figures for 2002 obtained from <http://www.unicinsurance.com/aboutunic.htm>).

Before privatisation, 272 workers were members of NUBIFIE in UNIC Plc. By 2002, however, this figure declined to 33 (Interview with union representative, 2002; NUBIFIE 2001, p. 6). In FBN Plc, the number of junior staff (hitherto mainly members of NUBIFIE) was 3,222 in March 2000 (43 percent of the bank's total workforce) but reduced to 1,612 (or 26 percent of the bank's total workforce) by March 2001 (FBN Plc, 2001, p. 18; 2001a, p. 63). By 2002, FBN Plc was totally de-unionised. As a result of privatisation's impact on union membership and finances, the unions' membership recruitment strategies changed. Before privatisation, NUBIFIE, for example, was guaranteed automatic membership under the provisions of the 1978 Trade Unions Act. After privatisation, the unions became more aggressive in organising new members and picketed the premises of employers who denied workers the right to unionise.

As NUBIFIE's President notes;

"Gone are the days when members on their own were coming to join the union. It is now the union that is going out to reach members, to convince them that union right is a fundamental right. It is about job security, it is about our rights and even place of work. So we are the ones now going out to look for members" (Interview, 2002).

Despite the lack of evidence to indicate a change in Nigeria's statutory provisions on trade union recognition due to privatisation, the pre-privatisation perception of unions by finance employers as useful channels through which to deal with collective affairs and as means of workplace order and stability appears to have changed. The management of FBN Plc for example, no longer recognises

NUBIFIE and ASSBIFI. Although UNIC Insurance Plc management still recognised both unions, their significantly reduced membership size has rendered them ineffective in the company.

Privatisation also adversely affected union finances. As Table 20 indicates for instance, between 1999 and 2002, NUBIFIE earned ₦11.8 million (1999), ₦14.5 million (2000), ₦13.5 million (2001) and ₦16.5 million by November 2002. When compared to the corresponding exchange rates of the naira for the same period (see Table 21) the union's finances actually declined. By 2002 NUBIFIE was unable to meet most of its financial obligations and was unable to pay its employees salaries and its rent (Interview with union representatives, 2002).

In response to this Author's question about how privatisation affected NUBIFIE's membership size and finances, the President said;

"You know, size is strength. And when we don't have the membership, we don't talk about financial buoyancy again. So the union is seriously going down in terms of our finances and in terms of our membership" (Interview, 2002).

ASSBIFI's Secretary-General responded to the same question as follows;

"The whole concept of privatisation itself is problematic in the sense that people are losing their jobs and there are no provisions to accommodate them in new jobs. And the union, if we have to say so, is rested on how many we are- the more we are, the merrier. But now privatisation is reducing our membership on a daily basis. So it's a problem. It's a problem because the union's ability to make a way depends on the number of men and women you have in the union" (Interview, 2002).



#### 4.3.4. Wages

There is no evidence at all from this study to indicate a reduction in wages in the finance industry. In UNIC Insurance Plc and FBN Plc for instance, post-privatisation restructuring resulted in increases in wages and other allowances of those staff fortunate enough survive the exercise. At the macro level of the industry, the sector's JNC pegged the minimum wage at ₦7,500.00 and ₦6,500.00 per month for the banking and insurance sub-sectors respectively on 22<sup>nd</sup> November 2000 (NUBIFIE, ASSBIFI and NEABIAI, 2000, p. 1). In UNIC Insurance Plc and FBN Plc, the new management introduced new wage packages with enhanced leave bonuses and allowances which were far above those agreed with the unions.

Available data on the post-privatisation expenditures of UNIC Insurance and FBN Plc on wages and salaries will suffice to buttress this claim. In FBN Plc, although the average number of workers employed between 2000 and 2001 declined from 7,550 to 6,182 the related staff costs increased from ₦5,740 million to ₦6,961 million (FBN Plc, 2001a, p. 63). By the end of the 2002/2003 financial year when the number of staff employed by the bank increased to 6,437 there was a corresponding increase in the wage bill (FBN Plc, Financial Highlights, 31 March 2003, p. 1). In UNIC Insurance Plc, wages also increased as evidenced by rise in the ratio of staff to wages and salaries costs (See Table 22, 22A and 22B). As these tables indicate, despite the company's workforce reducing to 478 in 2000, average wages and salaries remained higher than pre-privatisation levels.

Independent empirical data also support this finding. As Table 16 indicates, for instance, with the exception of 1994 when there was a decline in average wages and salaries in the finance industry, average wages and salaries for junior

employees in the industry increased from ₦6,530.00 in 1992 to ₦23,810 in 1999 and in the case of senior employees, from ₦15,142.00 in 1992 to ₦45,734.00 in 1999. Generally for finance sector employees, available data indicate that between 1992 and 1995 wages rose by 25.9 percent for junior employees and 4.2 percent for senior employees (Ibid.).

#### 4.3.5. Grievance/disciplinary procedures

There is no evidence to indicate a change in the legal framework moderating the grievance procedure as a result of privatisation. But there is evidence of change in the grievance and disciplinary procedures of some privatised SOEs. In UNIC Insurance Plc for instance, grievance and disciplinary procedures for unionised employees still complies with the terms of the prevailing collective agreements but operates alongside another procedure for de-unionised employees. In completely de-unionised FBN Plc, the procedures are based on the company employees' handbook and the terms of each employee's contract, with final arbitration by the regular courts rather than the IAP and NIC (Interviews with management and union representatives, 2002).

As noted in section 1.4.5 of chapter one, almost all cases of privatisation in developed and developing economies resulted in strike actions by unions. Evidence from this study suggests however, that although the incidence of strikes and work stoppages at the sectoral level of Nigeria's finance industry did not increase appreciably as a result of privatisation, industrial actions by trade unions in the privatised SOEs increased.

For instance, ASSBIFI which hitherto only embarked on very few strikes in FBN Plc between 1982 and 1983 (for four hours) picketed the bank's premises for several days in 2001 in collaboration with NUBIFIE and NLC due to the



privatisation-related mass contracting-out of the bank's employees from ASSBIFI/NUBIFIE ('Thisday News', Monday June 11, 2001, p. 1). Both unions also picketed the premises of UNIC Insurance Plc on 5<sup>th</sup> September 2001 to protest the company's privatisation-related redundancy exercises (Interview with management and union representatives, 2002).

#### 4.3.6. Conclusion

In this chapter, the impact of privatisation on trade unions and employment relationship in Nigeria's finance industry was evaluated. Evidence from the chapter indicates changes in trade unionism and employment relationship after privatisation. Union bargaining power declined, with the balance of power tilting in favour of employers due to economic, trade union-specific and company-specific factors. On the trade unions side, the decline in union membership size/density and finances, the absence of alternative wage for union members, the declining macro-level vacancy/unemployment ratio and intra-union crisis eroded the unions' power and their mobilising/strike capacities while on the company side, privatisation resulted in an improvement in performance and consequently, bargaining power.

There were also changes in the area of collective bargaining. A gradual replacement of collective bargaining as a norm by individual employment contracts was observed, although the legal framework remains unchanged. Privatisation however, benefited finance unions in the area of collective bargaining, as evidenced by their successful negotiation of redundancy benefits far beyond the provisions of existing collective agreements on behalf of their members disengaged due to privatisation-related restructuring. The unions however, could not prevent redundancy.

This suggests a variation in the power relationship in the industry based on the bargaining agenda and is evidence of the fact that the unions' capacity to mobilise their members for strike actions against privatisation-related redundancy was significantly eroded by workers' preference for juicy severance benefits offered by employers. There is evidence also to suggest a decline in the percentage of workers covered by collective agreements and an increasing preference for decentralised collective bargaining by the management of the privatised SOEs.

Privatisation led to a decline in union membership size. In some privatised SOEs like the FBN Plc, union presence was completely eliminated, while in UNIC Insurance Plc, the massive decline in their membership size rendered them ineffective and resulted in a moderation of union militancy (with strikes considered as weapons of last resort) and a change in union membership recruitment strategies.

Privatisation also resulted in a rise in wages and allowances of employees that survived restructuring in the privatised SOEs both in the short and the long term. However, the unions made claims of wage discrimination between unionised and non-unionised employees in some privatised SOEs. Changes have also occurred in the grievance and disciplinary procedures of some privatised SOEs, with variations between companies where trade unions still command some presence and those completely de-unionised.

Although sectoral incidence of strikes and work stoppages did not increase appreciably as a result of privatisation, there was an increase in union-management tension and union actions over the specific details of the privatised SOEs' restructuring. Overall, the evidence from this chapter indicates that privatisation impacted negatively on the unions. In the words of ASSBIFI's Secretary General:



"We are now negotiating in a very weak position for enhanced package for our members that are thrown out of jobs. And everyday, every time, we are now saddled with having to come to discuss the retrenchment of our members that have to leave employment not out of their own fault, not out of their behaviour or their deficiencies at work but because job is contracting, because the workplace is re-engineering, because limited number of people are now needed to do so many things, because there have been increased computerisation, increased technology, because of several factors that come with privatisation. ...Privatisation has created an employers' market" (Interview, 2002).

As noted in chapter one however, not all changes observed in privatised SOEs can be attributed solely to privatisation. The degree to which the observed changes in trade unionism and employment relationship in Nigeria's finance industry discussed in this chapter can be attributed to privatisation is examined in section 4.4.

#### 4.4. The Impact Of Privatisation

In this section, an attempt will be made to identify those elements of change observed after privatisation that could be attributed to privatisation alone by relating them to specific strategic proposals from finance employers for restructuring the two finance case studies. This will involve an assessment of the extent to which the changes identified in Section 4.3 can be explained by the post-privatisation corporate strategies of the new companies that emerged. A review of the strategic proposals from finance employers for restructuring UNIC Insurance and FBN Plc and the actual restructuring measures adopted will precede our analysis by way of introduction.

#### 4.4.1. UNIC Insurance Plc Case Study

##### 4.4.1.1. Introduction

UNIC Insurance Plc was incorporated in 1965 as a result of the merger of Marina Agencies Limited (then a subsidiary of United Africa Company (UAC) Limited) and Insurance Agencies Limited (then a wholly-owned subsidiary of the Compagnie Française De L'Afrique Occidentale- CFAO). On incorporation, the company's share capital of 100,000 ordinary shares was held by foreign interests- Northern Assurance Company, London- 55 percent, CWA Holdings Limited, London- 30 percent and CFAO Liverpool-15 percent.

On 30<sup>th</sup> March 1976, the federal government acquired a total of 48,800 shares- 19.5 percent of the then 250,000 share capital and additional 195,200 shares in 1977 bringing its total shareholding to 244,000 shares or 48.8 percent and increasing indigenous equity in the company to 49 percent. A further 11 percent of the company's total equity was subsequently acquired by the federal government and distributed to governments of three Nigerian states as follows:

- i. Kaduna State- 21, 000 shares or 4.38 percent
- ii. Kano State- 17,000 shares or 3.56 percent, and,
- iii. Imo State- 15,000 shares or 3.06 percent (TCPC, Undated. Final Report, Vol. 2, p. 23).

Before privatisation therefore, federal and state governments jointly held 60 percent equity, with Northern Assurance Company Limited, London holding 21.7 percent, C.W.A. Holding Limited, London (a subsidiary of Unilever) - 12.02 percent and C.F.A.O. Liverpool- 6.01 percent (Ibid., p. 24). In 1990, the Nigerian



federal government sold its 48.8 percent stake in the company (then called United Nigeria Insurance Company Limited) through the TCPC.

#### 4.4.1.2. The restructuring exercise

On privatisation in 1990, the company changed its name to United Nigeria Insurance Company Plc and, was admitted to the Nigerian Stock. In 1994, its name became UNIC Insurance Plc, its management embarked on a reorganisation exercise (on grounds that the company was not making profit as evidenced by declining underwriting result which stood at a loss of =N=7.483 million- Table 14), computerised the company's operations and retrenched some staff on grounds of age, fraudulent records and non-performance. A total of 160 employees (all members of NUBIFIE) were retrenched after negotiations with the union and the signing of a memorandum of understanding by both parties on 28 December 1994 (UNIC Insurance Plc and NUBIFIE, 1994).

In 1999 when the company posted a not-too-impressive operating balance (with net total assets declining from the 1998 level of =N=766,769,000 to =N=700,659,000) the new management embarked on a major programme of restructuring. The company's new Chairman attributed its poor performance to unacceptable levels of declining quality of risks written and "fierce competition, price under-cutting as well as credit extension to brokers" (UNIC Insurance Plc, Annual Reports and Accounts, 2000, p. 7). In order to reverse this negative trend, the management identified areas of the company's operation that required remedial actions, as follows:

- i. The company's gross premium which remained more or less stagnant between 1998 and 2000;

- ii. The risk profile of the company's underwriting operations which increased significantly within the same period, which (when combined with increased corporate expenses, price undercutting and problems with receivables) resulted in a soft market characterised by technical losses (Ibid, p. 8).

In order to resume sustained growth, it became imperative for the management to improve the company's risk profile and enhance productivity. Consequently, the management designed a strategic development plan seeking to address and overcome the threats arising from the effects of oversupplied generic insurance products, globalisation and universal banking, with the under-listed objectives:

- i. Improving UNIC Insurance Plc.'s risk portfolio by identifying and focussing on its most profitable clients and pricing its risk portfolios appropriately;
- ii. Retaining the loyalty of the company's most viable clients by offering them first class service;
- iii. Developing special classes of risk, which the company can brand and price better than the generic products it was then offering;
- iv. Diversifying into the provision of broader based financial services;
- v. Improving the company's investment portfolio for enhanced returns; and,
- vi. Investing significantly in information technology and personnel infrastructure necessary to drive the above-listed plans (UNIC Insurance Plc., Annual Reports and Accounts, 2000, p. 8).

In order to attain these objectives and reposition the company for sustained growth in the future, the new management identified the imperativeness of shareholders' support, while noting that "investment in personnel right sizing, acquisition of information technology infrastructure, and investment in new opportunities will



affect returns in the short term, but if properly implemented, will create a business value of pride to all shareholders in the medium term" (Ibid.). The management also replaced the old mission statement- "to grapple with the challenges posed by the company's global view of repositioning"- with a new mission statement as follows:

"To provide with transparent honesty and integrity unique insurance and other financial services to our local and international customers, promote the welfare of our workforce, while adding value to our shareholders' investment and demonstrating a high sense of social and economic responsibility" (Ibid, p. 2).

The company's mission statement was then translated into a vision- "to be the largest and preferred integrated financial services company in West Africa in alliance with global insurers in order to also have global presence" (see <http://www.unicinsurance.com/aboutunic/htm>).

Essentially, the company's new strategic focus was in recognition of the need to promote shareholders' interest of profit making above the political considerations that characterised its era of public ownership. In order to achieve its new strategic objectives, the Board of Directors was restructured in 2000, a new representative for international technical interests appointed into the board, while an American management expert was seconded from a management development affiliate of the International Finance Corporation to help develop skills relevant to the new strategic objectives, but for which its existing talent was limited (Ibid, pp. 8 and 9).

The company then scrapped several departments (driving, mailing, purchasing and auditing), outsourced their duties to a company owned by the core investor- Nigerian-German Chemicals (Interview with a union representative, 2002), rationalised its branches (sub-offices) from 18 to 6 as a cost effectiveness measure

and computerised all its operations. It however, maintained some form of presence in the 12 former sub-offices through what it referred to as “Tied Agents” rather than run them as full-fledge branches thus reducing staff and overhead costs. With a new focus on financial marketing, the company also entered into co-marketing and co-branding arrangements with some banks (Interview with UNIC Insurance Plc Personnel Manager, 2002).

#### 4.4.1.3. Impact of restructuring

The question is how does the company’s post-privatisation strategic plan relate to the observed changes in trade unionism and employment relationship in the company? An attempt is made below to answer this question by evaluating the actual implementation of the strategic plan in relation the observed post-privatisation changes, as follows:

##### i. Impact on bargaining power

As earlier noted in sections 4.3 and 4.4 of this chapter, the fortunes of UNIC Insurance Plc improved a few years after the post-privatisation restructuring. Although the company struggled in the area of profit making in the short term (which probably accounts for its inability to eliminate unions from its workplace completely) the improvements in its performance and written premiums over the years enhanced its ability to survive temporary work stoppage and its bargaining power relative to the unions whose post-privatisation membership, mobilising and strike capacities and leverage declined drastically. Moreover, at the macro level of the industry, the combined mobilising and strike capacities of NUBIFIE and ASSBIFI was seriously eroded by the huge decline in their combined membership size nationally.



There is evidence to the effect that privatisation reduced the bargaining power of the unions in UNIC Insurance Plc. As one union leader notes;

"With what is happening in the industry, privatisation is killing the unions. The new owners don't abide by the terms of collective agreements, the union is losing members and union members are losing interest in the whole system of privatisation. Union members are no longer having faith in the union, which they see as incapable of protecting them. Privatisation has dealt a harsh blow to the unions. Privatisation has dealt with us. Now that they have given power to the highest investor, they ignore collective agreements and do whatever they like. And where they think the cost of implementing the national agreements are too high, they retrench before implementing the agreements" (Interview, 2002).

Developments in the company support the trade unions' claim of a decline in their power relative to management. For instance, the company's Personnel Manager corroborated the claim by union representatives that there were no retrenchments in the company for fourteen years before privatisation. According to her, the five retrenchment exercises carried out by the company as at 2002, although negotiated with the unions, arose from the need to restructure in the face of fierce competition (Interview, 2002).

The resultant decline in the union's membership size reduced their capacity to mobilise for strike actions in UNIC Insurance Plc. According to NUBIFIE's President, in some cases the unions do not even go on strike because;

"The members that will embark upon the strike actions are already flushed out or are about to lose their jobs...Seriously, our bargaining power has been reduced to almost nothing because, you know, size is strength and when we don't have the membership, we don't talk about financial buoyancy again. So the union is

seriously going down in terms of our finances and in terms of our membership. So our bargaining power has been greatly reduced" (Interview, February 2002).

ii. Impact on collective bargaining

After the restructuring exercise, both bilateral bargaining by management with de-unionised employees and centralised collective bargaining (between NUBIFIE/ASSBIFI and NEABIAI) simultaneously operated in the company. Trade union density and the coverage of collective agreements declined in proportion with the decline in the unions' membership size in the company, while enterprise-level collective bargaining became very volatile, with an increase in privatisation-related industrial actions.

For instance, when the company's management declared redundancy in 2000 and 2001 as part of its restructuring, NUBIFIE contested the reasons management adduced (NUBIFIE, 2001) as attempts to further reduce its membership size and dragged the management to the NIC where both parties eventually agreed to redundancy under terms negotiated out of court but ratified in a ruling by the court (NIC, 2001). Before the NIC's judgement however, ASSBIFI and NUBIFIE in collaboration with the NLC picketed the premises of the company on 5<sup>th</sup> September 2001 (Interview with management and union representatives, 2002). In August 2002, NUBIFIE also went to court to seek an injunction to stop the company from carrying out another planned restructuring (Interview with the company's Personnel Manager, March 2002). However, despite the dominance of de-unionised workers in the company after its restructuring, the management still recognises the NUBIFIE and ASSBIFI.



iii. Impact on trade union membership size and finances

As part of its restructuring, the UNIC Insurance Plc's new management restructured its branches into a network of information technology-driven branches and 'Tied Agents' covering eighteen of the country's thirty-six states. Additionally, the company restructured its product market by diversifying into other financial businesses that were not strictly core insurance businesses, with a view toward "re-inventing and re-positioning the company to face the challenges of universal banking" and combined this with personnel rationalisation across the board with all categories of staff affected (Interview with the Personnel Manager, March 2002).

The restructuring resulted in the retrenchment of employees considered irrelevant to the attainment of the company's new strategic goals as evidenced by changes in the number of workers employed by the company between 1997 and 2002 (see Table 22A). The decline in the company's total workforce led to a proportional decline in the membership size of its in-house unions, particularly NUBIFIE whose members belonged to the cadre of field staff, clerks, typists, secretaries and drivers most affected by redundancy.

Before privatisation, 272 workers were members of NUBIFIE in UNIC Insurance Plc. Membership of NUBIFIE reduced to 114 in 2001 and 33 in 2002 (Interview with union representatives, 2002; NUBIFIE, 2001, p. 6). Company data substantiate the finding of a decline in post-privatisation union membership size. Between 1997 and 1998, for instance, the number of employees in UNIC Insurance Plc increased slightly from 544 to 556 but declined to 478 by 2000 (UNIC Insurance Plc, 1998, p. 32; 2000, p. 31).

The revenue derived by the unions from the company after privatisation also declined. Although no micro-level union revenue data were available, the decline in NUBIFIE's membership size in the company from 272 before privatisation to 33 in 2000 indicates, for instance, a decline in revenue since the union depends solely on check-off dues paid by its members.

iv. Impact on wages

Wages in UNIC Insurance Plc increased following the company's restructuring. Data on the post-privatisation expenditures of the company on wages and salaries will suffice to buttress this argument. Available company data indicate that wages increased, as evidenced by the ratio of its staff to payroll cost between 1997 and 2000. Table 20B indicates, for example that despite the company's employees reducing to 225 in 2002, average wages and salaries remained higher than pre-privatisation levels.

v. Impact on grievance/disciplinary procedures

The company's restructuring resulted in changes in its grievance and disciplinary procedure with two types of procedures emerging. The first (based on the company's employees' handbook) caters for de-unionised employees while the second procedure (based on the industry-wide collective agreement) caters for unionised employees.

It is evident from the foregoing that the observed changes in trade unionism and employment relationship in UNIC Insurance Plc are directly related to privatisation. The important question is whether the company's case mirrors the trend in the industry. In order to answer this question, an attempt will be made in



the next section to elicit the impact of privatisation in the second finance industry case study - FBN Plc- via an evaluation of the degree to which changes observed in the bank can be attributed to privatisation.

#### 4.4.2. FBN Plc Case Study

##### 4.4.2.1. Introduction

FBN Plc commenced operations in 1894 as a branch of Bank of British West Africa Limited (Liverpool). In 1912, the bank acted as agent to the West Africa Currency Board (set up in 1912) in Nigeria and performed the role of a central bank until 1958 when the Central Bank of Nigeria was established (TCPC, Undated Final Report, p. 131). The bank's name was changed to Bank of West Africa Limited in 1957 and thereafter to Standard Bank of West Africa Limited in 1966 after a merger with Standard Chartered Bank of England in 1965. In compliance with Nigeria's Companies Decree (1968), the bank was incorporated as Standard Bank of Nigeria Limited in 1969.

In 1971, in line with government's indigenisation programme Nigeria's Federal Government purchased 36.1 percent equity and Nigerian investors 12.9 percent (Ibid.). By 1979, government's shareholding increased to 44.76 percent while other local investors owned 17.24 percent as a result of the dilution of Standard Chartered Bank's equity holding from 51 percent to 38 percent. The bank's name was changed again in 1979 to First Bank of Nigeria Limited and its shares listed on the floor of the Nigerian stock exchange. In compliance with the requirements of the Companies and Allied Matters Decree (1990), the bank's name was changed to the FBN Plc (Ibid.).

#### 4.4.2.2. The restructuring exercise

On Monday 16<sup>th</sup> November, 1992, a total of 72,238,314 ordinary shares of fifty kobo (about 0.25 pence) each were offered to the public under the provisions of Nigeria's privatisation Decree No. 25 (1988). Privatisation in FBN Plc, like in UNIC Insurance Plc, was therefore by way of total divestment of government equity holding. Restructuring exercises were implemented by the bank before and after privatisation. In 1985 (before its privatisation) the bank's structure was decentralised into five regional administrations in order to reposition it and take advantage of the changing environment that emerged from the sector's liberalisation. This structure was reconfigured in 1992 (after its privatisation) to enhance operational efficiency.

In 1996 (four years after its privatisation) FBN Plc introduced a comprehensive change process known as 'Century II Enterprise Transformation Project' to revolutionise its operations (in line with the increasingly competitive environment of the industry) that involved the re-engineering of its business process and the creation of a new marketing framework. In 2000/2001, the bank launched the 'Century II: The New Frontier' project which involved a comprehensive strategic re-direction aimed at optimising its strengths (which include large customer base, experience and extensive branch network) in order to tap current and emerging opportunities in and outside the financial services sector. The 'Century II' project was also aimed at engendering the significant leap required by the bank to "truly provide the modern Nigerian economy with the financial leadership it requires" (FBN, 2001a, pp. 2 and 18 and Interview with Management Representative, 2002). The project involved the "definition and execution of overarching and specific strategies to engender fundamental changes in all aspects" of its business,



underpinned by a technology-driven, re-invention programme that is people-focussed and customer-centric (Ibid, p. 24).

In terms of organisational developments, the bank increased its directorates from six to seven and its Strategic Business Units (SBUs) from three to four in reflection of its increased market orientation. The SBUs include Corporate Banking (which deals with large structured companies), Commercial Banking (which deals with medium sized structured and large semi-structured organisations), Consumer Banking (which deals with the retail market and the development of Private Banking business) and Consumer Finance. The Branch Network and Operations Directorate runs the entire branch operations through which service to the SBUs are delivered. The bank also created Strategic Resource Functions (SRFs) - Risk and Management Controls, Information Technology and Electronic Banking and Resources- all of which (except the latter) are directorates. In the next section, the relationship between FBN Plc's post-privatisation restructuring and observed changes in company-level industrial relations will be established.

#### 4.4.2.3. Impact of restructuring

##### i. Impact on trade union bargaining power

As noted in section 4.3 of this chapter, FBN Plc's performance improved phenomenally after privatisation. Consequently, it became easier for the bank to continue to meet its financial commitments during a stoppage. As equally noted, NUBIFIE and ASSBIFI were not as fortunate due to a combination of factors which eroded their bargaining power and the total de-unionisation of the bank's

employees in 2001. The latter reduced the unions' bargaining power in FBN Plc to zero.

ii. Impact on collective bargaining

The bank's new management's perception of trade unions as a useful channel for mediating the employment relationship and as a means of workplace order and stability changed after the restructuring. With the mass withdrawal of the bank's employees from membership of NUBIFIE and ASSBIFI, the management no longer recognised trade unions and no longer engaged in collective bargaining. Privatisation of FBN Plc therefore, resulted in a complete replacement of collective bargaining with individualism and a total elimination of unions.

In response to this Author's question about what FBN Plc's official position was on trade unions after the bank's privatisation and restructure, the bank's Principal Manager (Industrial Relations) said;

"Well you can say that since we are not unionised we have no business with trade unions. But what we do is we try to monitor their activities and know what they are doing and also know what is happening elsewhere. That's the extent of our relationship with them now" (Interview, 2002).

The trade unions did not leave without a fight. In 2001, for instance, ASSBIFI and NUBIFIE (in collaboration with NLC) picketed the bank's headquarters to protest the contracting-out of their members which they believed was instigated by the management ('Thisday News', 2001, op cit.).



iii. Impact on trade union membership size and finances

The bank's restructuring and strategic redirection projects had implications for the workforce and trade unions members. As noted in section 4.3.3 of this chapter, the number of junior staff (hitherto members of the NUBIFIE) declined from 3,222 (43 percent of the bank's total workforce) in March 2000 to 1,612 (26 percent of the bank's total workforce) by March 2001. Between 2000 and the end of 2001, NUBIFIE and ASSBIFI lost their entire members (and the entire revenue they generated from the bank) to post-privatisation restructuring.

iv. Impact on wages

Wage negotiation in FBN Plc through collective bargaining was completely eliminated in 2001 as a result of total de-unionisation. Despite this, wages increased as evidenced by the bank's post-privatisation expenditures on wages and salaries discussed in section 4.3.4 of this chapter. For example, although average number of employees declined from 7,550 to 6,182 between 2000 and 2001, related staff costs for the period increased from =N=5,740 million to =N=6,961 million, indicating an increase in average wages (FBN Plc, Annual Reports and Accounts, 2000/2001, p. 63). At the end of the 2002/2003 financial year, the number of employees increased to 6,437 with a corresponding increase in the wage bill (FBN Plc, Financial Highlights, 31 March 2003, p. 1).

The FBN Plc notes in its 2000/2001 Annual Report (p. 25) that "On 1<sup>st</sup> April 2001, we effected aggressive new compensation policies and practices to ensure competitive rewards in line with current local and financial services industry trend. This gesture is expected to boost staff morale and stimulate optimal individual and collective performance in line with agreed corporate objectives."

In response to this Author's question as to whether the employees of the bank still consider trade unions relevant, an ex-union representative in the bank declared inter-alia;

"Workers in First Bank can now buy new cars and change cars. Unions are definitely no more relevant in First Bank. They have been overtaken by events" (Interview, February 2002).

v. Impact on grievance/disciplinary procedure

With the total shift from collectivism to individualism, the grievance and disciplinary procedure in the bank became entirely based on its employees' handbook and the terms of each employee's contract. A disciplinary panel comprised of representatives of different cadres of the bank's staff replaced the joint committee of employers and trade unions as the organ responsible for resolving grievances and disciplinary matters, with final arbitration by the regular courts (Interview with the management representative, 2002).

#### 4.4.3. Conclusion

In the preceding paragraphs, an attempt was made to identify those change elements that could be attributed to privatisation by relating them to the specific strategic proposals from employers for restructuring UNIC Insurance Plc and FBN Plc. Although there are variations in the privatisation experiences of the two companies and although no major anti-union legislative reforms accompanied privatisation in the industry, there is evidence of privatisation-related changes in union bargaining power, collective bargaining, union membership size and finances, wages and grievance/disciplinary procedures.



A number of questions however, arise from this conclusion as follows: Can all the observed changes be attributed to privatisation alone? Are there other factors responsible for these changes? In what ways (if any) are other factors responsible for the observed changes? An attempt will be made in section 4.5 to answer these questions.

#### 4.5. An Analysis Of Changes That Appear To Be Related To Factors Other Than Privatisation

##### 4.5.1. Introduction

As noted in chapter one, one of the biggest issues in evaluating privatisation lies in comparing its outcome with the counterfactual (Kikeri and Nellis, 2001, p. 9). As Sheshinski and Lopez-Calva (1999) note, it is difficult to isolate the effect of privatisation from other variables that have an influence on aggregate measures and this often results in the observance of certain trends, with weak causality. In this section, an attempt will be made to elicit other factors that may have accounted for the observed post-privatisation changes identified in section 4.4, based on the adopted analytical variables of the current study, as follows:

##### 4.5.1.1. The balance of bargaining power

As was demonstrated in sections 4.3 and 4.4, privatisation is directly responsible for the decline in trade union membership size, density and finances in UNIC Insurance Plc and FBN Plc, which, as noted in chapter one, constitute important determinants of bargaining power. Other factors relevant for computing bargaining power- the absence of alternative wage for trade union members, the low macro-level vacancy/unemployment ratio, etc, predate privatisation and cannot therefore

be held accountable for the observed changes in trade unionism and employment relationship after privatisation.

Despite the impact of these factors before privatisation, NUBIFIE and ASSBIFI exerted sufficient leverage on government wage policies and employment relationship in the industry to their advantage. It was in the aftermath of privatisation-related restructuring (as demonstrated in the case of FBN Plc and UNIC Insurance Plc, for example) that union bargaining power declined. Intra union crisis cannot also be held responsible for the decline in trade union leverage since it does not diminish trade unions' capacity to mobilise their members for industrial actions over issues like wages and redundancy. As noted in chapter one, union mobilising capacity varies with the bargaining agenda.

#### 4.5.1.2. Collective bargaining

The observed changes in collective bargaining in the industry are entirely privatisation-related. Despite liberalisation and the emergence of the 'New Generation' financial institutions that introduced union-free workplaces and individual employment contracts from the mid-1980s, collective bargaining remained the accepted mode of mediating the employment relationship in SOEs and a majority of privately-owned financial establishments. It was only after privatisation-related restructuring of finance SOEs that the observed changes emerged.

#### 4.5.1.3. Union membership size and finances

There is evidence from this chapter to suggest that the decline in macro-level trade union membership size dates back to the SAP era in the mid-1980s. As Table 23 reveals, between 1982 and 1983 the Federal Government, state governments and



private sector employers retrenched 23.4 percent, 51.7 percent and 24.7 percent of their respective workforce. Table 23A indicates the distribution of total and retrenched employees by industrial sector for the period. There is evidence that unemployment increased between 1982 and 1984 as a result of declining capacity and profit. The NLC, for instance, estimates that as at 1983, a total of one million workers lost their jobs (Fajana, 2000, p. 68. See Tables 24 to 25 also).

Although, some of the above-mentioned employment data can be situated within the finance sector's privatisation time-frame, they are not disaggregated and there is no direct evidence to ascribe them to privatisation. On the other hand, direct evidence from this chapter links the decline in employment and consequently, trade union membership and finances in UNIC Insurance and FBN Plc to privatisation-related restructuring.

#### 4.5.1.4. Wages

Theoretically, general increases in wages in the finance industry cannot be ascribed to privatisation alone since union wage demands are premised on a combination of factors like cost of living, consumer price index, inflation, profits and productivity and increases in the price of petroleum products, etc. As Tables 26 and 27 indicate for instance, the consumer price index for all items and inflation rate in Nigeria rose between 1985 and 1990. Consequently, the range of average wages and salaries in the public sector rose by between 77 percent and 148 percent for junior workers, while the increase for senior workers was between 84 and 85.5 percent (see Table 16). Despite the effects of these macroeconomic factors on wages generally, evidence from this chapter directly links the wage increases in UNIC Insurance Plc and FBN Plc to privatisation-related restructuring.

#### 4.5.1.5. Grievance/disciplinary procedures

There is evidence to indicate that not all of the observed cases of grievances/disputes in the industry after privatisation were in direct response to privatisation. For instance, union wage demands arising from the various increases in the prices of petroleum products (see Table 28) were major catalysts for strikes and work stoppages in Nigeria from the mid-1980s onwards. There is no evidence however, to ascribe the observed changes in the grievance and disciplinary procedure of UNIC Insurance Plc and FBN Plc to factors other than privatisation.

#### 4.5.1.6. Conclusion

It is evident from section 4.5 that, although a number of other factors may have indirectly contributed to some of the changes observed in privatised finance SOEs, no evidence exists from this chapter to ascribe those changes to those other factors. On the contrary, there is evidence of a direct relationship between the observed changes in UNIC Insurance Plc and FBN Plc and privatisation-related restructuring implemented by their new management. A summary of the evidence is necessary at this stage and will be done in the next section by way of assessing the overall impact of privatisation.

### 4.6. Assessing The Overall Impact Of Privatisation

In this chapter, the impact of privatisation on trade unions and employment relationship in privatised enterprises in Nigeria's finance industry was evaluated. Evidence from this chapter points to privatisation-related changes in trade unionism and employment relationship in the privatised SOEs. Union bargaining power declined, with the balance of power tilting in favour of employers. Like the



case in some European privatisation exercises (see Pedersini, 2000, for instance) privatisation brought the pressure of competition and the importance of economic performance, cost-effectiveness, flexibility and profitability to the forefront of corporate strategic discourse in the privatised finance sector SOEs and made them part of the new context that both management and unions have to deal with.

In some of the privatised SOEs like FBN Plc, collective bargaining was completely eliminated and replaced with individualism, although no government legislative reforms aimed at reducing the unions' power accompanied privatisation. Where collective bargaining has not been completely eliminated like UNIC Insurance Plc, it is gradually being replaced with individualism through gradual de-unionisation. Privatisation however, benefited the unions in the area of collective bargaining, particularly with respect to the negotiation of redundancy benefits for their members affected by post-privatisation restructuring.

Although there is continuity in the statutory provisions on trade union recognition after privatisation, employers' pre-privatisation perception of trade unions as useful channels through which to deal with collective affairs and mediate the employment relationship appears to have changed. In some privatised SOEs like UNIC Insurance Plc, although unions are still recognised, their presence has become rather symbolic. In some other privatised SOEs like FBN Plc, trade unions are no longer relevant due to complete de-unionisation.

The membership size, density and revenue of trade unions in the privatised SOEs also declined (although the experience of each trade union varied in relation to the post-privatisation skill requirements of the new management). Consequently, there is a moderation of union militancy in the industry, with strikes now considered weapons of last resort. Privatisation also led to changes in union membership

recruitment strategies. The trade unions are now more proactive in sensitising potential members about the benefits of membership rather than relying on statutory guarantees of automatic membership, with a new focus on the recruitment of contract employees.

Wages in the industry increased after privatisation. Changes have also occurred in the grievance and disciplinary procedures, with different procedures for unionised and de-unionised workers operating simultaneously. While there is no evidence to indicate an appreciable increase in the incidence of trade disputes and work stoppages at the macro level of the industry, cases of intense confrontation and increase in privatisation-related union actions in the privatised SOEs over specific details of post-privatisation restructuring were recorded.

In conclusion, it is pertinent at this stage to reiterate the observation in chapter one that country, industry, sectoral and macro/micro level variations in the impact of privatisation have been widely recognised and documented. The findings in this chapter may therefore not necessarily apply to other sectors or countries. It is important, therefore, to evaluate privatisation's impact on another economic sector- Nigeria's petroleum industry (in chapter five) in order to enable us ascertain the extent to which the finance industry findings relate to or vary from the predictive impact of privatisation on unions and employment relationship in another economic sector.



## CHAPTER FIVE- THE PETROLEUM INDUSTRY CASE STUDY

### 5.1. Introduction

In this chapter, I will lay out the broad picture of the impact of privatisation on trade unions and employment relationship in the petroleum industry (against a background of an introduction on the sector and its pre-privatisation industrial relations characteristics) under five sections, using the same indicators employed in section 4.1 of chapter four. Like in chapter four, the analysis here will involve both macro and micro level evaluation of trade unions and employment relationship before and after privatisation, based on the adopted analytical variables defined in chapter one.

### 5.2. An Appraisal Of The Situation Before Privatisation

As in chapter four, the appraisal in this sub-section will be conducted in two parts. The first part will involve an introduction of the sector's features and its broad industrial relations characteristics. In the second part, an evaluation of pre-privatisation trade unionism and employment relationship between 1994 and 1999 will be conducted (based on similar empirical measures adopted in chapter four).

#### 5.2.1. The petroleum industry before privatisation

Nigeria is a member of OPEC and one of the world's largest oil producers, with estimated proven reserves of between 24 billion to 31.5 billion barrels (Johnson, 2003, p. 2). The oil sector accounts for between 90 and 95 percent of Nigeria's export revenues, over 90 percent of foreign earnings and nearly 80 percent of government revenues (Ibid, p. 1; Tables 29, 30 and 31). Between 1985 and 1995 for instance, crude oil sales accounted for over 90 percent of Nigeria's total exports and contributed 97.1 percent in 1985, 97 percent in 1990, 96.2 percent in 1991, 97.9 percent in 1992, 96.5 percent in 1993, 96.7 percent in 1994 and 96.5 percent in 1995

(Akinlaja 1999, p. 18). Nigeria's near-total dependence on oil is illustrated in Tables 29 to 31.

Government involvement in Nigeria's oil industry started with the enactment of the Mineral Oil Act of 1914 by the British colonial government. As Mutfwang (2001) notes, oil concessions in the early phase of the industry were as defined by British colonial rule and an international oil industry dominated by the 'seven sisters' (Royal Dutch Shell, Exxon, BP, Gulf, Mobil, Texaco and Standard Oil) which formed themselves into an oligopoly for the control and exploitation of oil resources throughout the world. The role of the colonial state was limited to the granting of oil concessions to British or British-allied private investors. In 1959, the colonial government enacted the Petroleum Profit Tax (PPT) Act that provided for the sharing of oil proceeds on a 50/50 basis.

According to Mutfwang (2001) the concessionaire era was characterised by high degree of control and power by the oil companies. Initially, these companies owned all the oil produced in their concessions and determined the production levels. Until 1966, they also determined the realized prices of crude oil upon which royalty and petroleum profit tax were based. Consequently total oil revenue earned by Nigeria at the time was low. In 1962, the independent Nigerian government enacted the Mineral Oil Act (which introduced other oil companies into the industry) and the Companies Act, which compelled the oil companies to incorporate Nigerian affiliates. The Company's Act was later complemented by the Petroleum Act of 1969 that provides comprehensive framework for oil activities' administration in Nigeria (Ibid.).

Oil revenues rose sharply and accounted for over 80 percent of total federal revenues, and over 90 percent of the country's export earnings by 1974 (Mutfwang, 2001, p. 10). Consequently, the government embarked on a more rigorous attempt to



regulate and participate in the industry via legislative and political measures aimed at regulating the ‘excesses’ of private foreign oil investors (Mutfwang, 2001). In pursuance of this objective, the federal government acquired 33 percent equity interest in Nigeria Agip Oil Corporation and 35 percent in Elf in 1971 (Lukman 1987, p. 21; Mutfwang 2001, p. 11) and established the Nigerian National Oil Corporation later known as the Nigerian National Petroleum Corporation (NNPC) to engage in prospecting for, mining and marketing of oil and in all other activities within the petroleum industry.

By 1973, the government extended its equity participation in the industry to Shell-BP, Gulf and Mobil by acquiring 35% equity interests in each of them (Mutfwang, 2001, p. 11). Nigeria also entered into Joint Venture Agreement (JVA) with Multi-national Oil Corporations (which account for about 95 percent of the country’s oil production) with the largest joint venture operated by Shell producing nearly 50 percent of the nation’s crude oil (Ibid.).

Shortly before privatisation commenced in the industry, the NNPC owned a 55 percent stake in the Shell joint venture and 60 percent in other joint ventures operated by ExxonMobil, ChevronTexaco (formerly two separate companies- Chevron and Texaco), ENI/Agip (formerly Agip) and TotalFinaElf (Avuru, 1999, p. 226, cited in Mutfwang 2001, p. 11; Johnson 2003, p.1). As at September 1997, there were 13 active indigenous oil companies in the industry involved in various stages of exploration and development, producing 55,000 barrels of oil per day (Mutfwang 2001, pp. 11-14).

Government participation in and control of the industry is however, not limited to the upstream sector. In the downstream sector, the government owned four refineries- Port Harcourt I and II, Warri and Kaduna- with a combined capacity of 438,750

barrels per day. Like in the upstream sector, problems of sabotage, fire, poor management and lack of turnaround maintenance have decreased actual output in this sector. Government ownership and control also had serious implications for the industry. As Johnson (2003) notes, a major problem facing Nigeria's upstream oil sector is insufficient government funding of its JV commitments. Moreover, the industry is plagued by political and ethnic problems (for instance, in the Niger-Delta region of the country) which often disrupts oil production and supplies.

In addition to crude oil reserves, Nigeria has an estimated 124 trillion cubic feet (Tcf) of proven natural gas reserves- the ninth largest in the world, 75 percent of which is flared due to lack of necessary infrastructure for its utilisation. The World Bank (cited in Johnson, 2003, p. 6) estimates, for instance, that Nigeria accounts for 12.5 percent of the world's total gas flare. Nigeria completed a US\$3.8 billion liquefied natural gas (LNG) project, the Bonny LNG, in September 1999, expected to process 252.4 billion cubic feet of LNG in its two production trains annually. The government (represented by NNPC) owns majority (49 percent) equity in the business under a consortium known as the Nigeria Liquefied Natural Gas (NLNG) Corporation. Other partners in the venture include Shell (25.6 percent), TotalFinaElf (15 percent) and Agip which owns 10.4 percent (Ibid.).

It is imperative to note that the liberalisation introduced in the oil industry by the government was a product of its failure to meet its obligations to its Joint Venture (JVC) partners, which amongst other factors, precipitated the crisis in the industry in the 1990s. For example, the 1996 budget reduced JV funding by 30 percent and consequently, industry operations declined by 40 percent (Mutfwang 1999, p. 167 cited in Mutfwang 2001, p. 13). As Mutfwang (2001) notes, with the introduction of SAP in 1986, the government (in pursuit of its disengagement from direct



participation in the industry) commercialised NNPC in 1988 and disposed of some of its shares in the JVs. The government later sold 20 percent of its equity in Shell to its LNG partners- 10 percent to Shell, 5 percent to Agip and 5 percent to Elf and reduced its equity participation in three oil marketing companies- NOLCHEM Plc, Unipetrol, and African Petroleum Plc via public sale (Ibid, p. 14).

The introduction of SAP, according to Mutfwang (2001), rolled back the frontiers of the state in the oil sector, although the oil sector remained the most trans-national sector of the economy. The proposed privatisation of NNPC and its subsidiaries under the second phase of the programme was however, strongly resisted by NUPENG/PENGASSAN and NLC, with a ‘warning’ two days nationwide strike by NUPENG/PENGASSAN in September 2002. As a result of strong trade unions’ opposition, the government has so far been unable to privatise NNPC and its subsidiaries.

#### 5.2.2. Overview of pre-privatisation petroleum industry trade unionism and employment relationship

Prior to the restructuring of Nigeria’s trade unions in 1976, trade unionism in the country’s oil industry was decentralised, with several house unions representing workers. After 1976 and the promulgation of the Trade Unions Act (1978), all unions in the industry merged to form what is today known as PENGASSAN and NUPENG (Akinlaja, 1999). Membership of NUPENG is open to all junior workers in both government-owned and private oil and natural gas companies, while senior employees and middle-level management staff are members of PENGASSAN.

On registration as a trade union, NUPENG quickly established a militant reputation, as evidenced by the various strike actions it embarked upon between 1978 and 1979.

In each case NUPENG mobilised for national strike but the employers capitulated to its demands. In some of the disputes, the government intervened to ensure a quick resolution due to the sensitive nature of the industry and its strategic relevance to the nation's economy (Akinlaja, 1999, pp. 36-52) and global oil market stability. Following the consolidation of its power and the resolution of its internal crisis in 1987, NUPENG organised tanker drivers (responsible for the distribution of petroleum products across the country) into a powerful wing of the union in 1988. Since then, tanker drivers have remained a formidable strategic bargaining and strike weapon in the union's conduct of industrial relations.

PENGASSAN, on the other hand, was one of the 24 Senior Staff Associations created under the 1978 Trade Unions Act. Employees of each company in the industry (registered by the National Secretariat of each union) constitute a union domestic branch. Between 1987 and 1999, the NUPENG's branches increased from 83 to about 100 (Akinlaja, 1999, p. 86). No data exists on the number of the PENGASSAN's branches before privatisation. Available data however reveal that the union operates in 98 branches as at 2004 (See <http://www.penassan.org>).

Negotiations in the industry before privatisation were bi-annual, except in the case of petrol tanker drivers where negotiations were triennial. The national leadership of the two trade unions co-ordinated negotiations and usually delegated authority to branch executives to open negotiation with management but intervened when negotiations run into a hitch and also at the conclusion stage to secure an agreement (Akinlaja 1999; Interviews with NUPENG and PENGASSAN's representatives, 2002). Like in the finance sector, the domestic committees of the unions acted as their immediate link with management and advised the National Executive Councils on the positions



of salaries, wages, fringe benefits and other conditions of service in each establishment.

Before privatisation, both unions closed ranks in most of their branches and took common stand on issues concerning conditions of service, retirement, arbitrary termination of employment, etc. (Akinlaja, 1999). Between 1994 and 1998, the military dictatorship appointed Sole Administrators to take charge of the affairs of PENGASSAN and NUPENG and sacked their national leadership due to their prolonged strike (in collaboration with the NLC) over the military government's annulment of the results of the June 12, 1993 elections won by late Chief Moshood Abiola. The three unions' democratically-elected leadership was however, restored in 1998.

Although pre-privatisation strike data for the oil industry are largely undocumented, this Author's experience as an official of NLC indicates that majority of strikes in the industry before privatisation were related to industrial relations matters. However, a major problem arose before privatisation over the failure of the government to carry NUPENG/PENGASSAN along in negotiations with core investors. According to NUPENG's General Secretary, the privatisation exercises conducted in NOLCHEM Plc, Unipetrol Plc, and African Petroleum (AP) Plc resulted in conflicts between NUPENG/PENGASSAN and oil industry employers due to such exclusion ('PENGASSAN BULLETIN', December 2001, p. 4).

### 5.2.3. An empirical measure of pre-privatisation petroleum sector industrial relations

As noted earlier, the evaluation in this section will be based similar empirical measures adopted in chapter four, as follows:

#### 5.2.3.1. The balance of bargaining power

As noted in chapter four, political factors are more important than market indicators as basis for determining the balance of bargaining power between unions and employers before privatisation. Consequently, pre-privatisation company performance data for Conoil Plc will only serve as background data for assessing the company's post-privatisation performance. As in chapter four, our analytical focus will be on factors like the identity of trade unions, union membership and density, the political and legal context of bargaining, the economic centrality of the industry/sector and macro level vacancy/unemployment ratio as measures for determining bargaining power between oil industry employers and unions before privatisation, as follows:

##### i. The firm's liquid assets

The pre-privatisation liquid assets of Conoil Plc (privatised in 2000) in relation to its fixed costs from 1993 to 1999 are examined in this section in order to measure the company's hypothetical ability to continue to meet its financial obligations following a temporary work stoppage by unions and consequently, its bargaining power. Between 1993 and 1999, Conoil Plc's performance was in decline. Although the company's net assets rose from =N=0.583 billion in 1993 to =N=1.853 billion in 1996, it declined to =N=1.347 billion in 1997 but rose to =N=1.921 billion in 1999 (See Table 32).

Despite the 229.5 percent increase in its total assets between 1993 and 1999, the company's performance was not as impressive as it appears on paper, as the corresponding net current assets/liabilities for the period indicate (Ibid.). The



company's earnings (profit after taxation) was =N=341.8 million in 1993. =N=892.02 million in 1994 and =N=1.232 billion in 1995. By 1996, the company's fortunes declined, with profit after tax reducing by 79 percent to =N=253.42 million. Between 1997 and 1998, the company sustained a loss (after tax) of =N=1.025 billion and =N=596.72 million respectively (Ibid.). In 1999 however, gross profit increased to =N=4.387 billion due to pre-privatisation restructuring, while profit after tax also increased to =N=749.601 million, but declined to =N=253 million shortly before the company's privatisation in 2000 (Ibid.). Between 1997 and 1999, no dividends accrued to the shareholders (NOLCHEM Plc, Annual Reports and Accounts, 1999, p. 30).

In line with Smith's (1996) theory, with the decline in the company's fortunes in relation to its fixed costs between 1993 and 1999, it was difficult for it to continue to meet its financial commitments in the event of a stoppage. This implies a decline in the company's bargaining power.

ii. The firm's inventory

Conoil Plc's traded oil volume for 1997 declined by 15 percent from 1.2 billion litres in 1996 to 1.04 billion litres in 1997. Turnover for its oil sector for 1997 was =N=11.07 billion (a decline of 13 percent when compared to 1996 and 19 percent compared to 1995) while gross margin decreased by 23 percent (NOLCHEM Plc., 1997 Annual Report and Accounts, p. 9). This implies a decline in the company's ability to survive a temporary work stoppage by the unions (and consequently, bargaining power) in line with Smith's (1996) theory.

iii. The level of capital intensity

The company's level of capitalisation increased between 1993 and 1998. Called up share capital increased from =N=56 million in 1993 to =N=171.5 million in 1998, but remained stagnant in 1999. Shareholding rose from 252 million (1996) to 294 million (1997) and 343 million ordinary shares in 1998 (Ibid.). Shareholders funds (which rose from =N=583.4 million in 1993 to =N=1.657 billion in 1997) declined to =N=37.08 million in 1998 but rose to =N=786.69 million in 1999 due to pre-privatisation restructuring (see Table 32). However, earnings per share (which rose from =N=1.16 in 1993 to =N=3.53 per share in 1994 and =N=3.59 per share in 1995) declined to =N=0.74 per share in 1996. Between 1997 and 1998, the company posted losses of =N=2.99 and =N=1.74 per share respectively (Ibid.).

According to Smith (1996) high capital intensity lowers a firm's bargaining power by raising (rental or interest) costs during a temporary stoppage. As already noted however, the indicators of pre-privatisation company performance evaluated above are not as relevant as political factors in the determination of the pre-privatisation balance of bargaining power between unions and employers. Even if these factors are taken into account, they reveal the weakness of Conoil Plc's management before privatisation.

iv. The identity of the trade unions

The appraisal here comprises of an evaluation of the identities of PENGASSAN and NUPENG in terms of their background and their internal dynamics, their political reputation, mobilising potential and cohesion. As earlier noted in this chapter,



NUPENG is a militant trade union with a history of forcing employers to capitulate to its demands (See Akinlaja, 1999, pp. 36-52 for details).

Collaboration between NUPENG and PENGASSAN also increased over the years, with both unions closing ranks over most industrial relations matters affecting their members (Akinlaja, 1999) as evidenced by their united opposition to the privatisation of NNPC and its subsidiaries for instance (See NUPENG/PENGASSAN, 2002, p. 1). Internal cohesion in both unions was also very strong before privatisation, while both unions negotiated jointly on behalf of their members with each company's management. Where agreements were not forthcoming, the unions mobilised their full (macro-level) strike arsenal in order to force agreement at the company level. This alliance made them a very formidable force in collective bargaining in the industry.

v. Union density

Data on union density in the industry are not readily available. However, with the exception of top management employees, most oil workers are either members of the NUPENG or PENGASSAN. Moreover, the trade two unions successfully unionised most casual workers in the industry before privatisation (See NUPENG, PENGASSAN, et al, 2004, for instance) suggesting high union density in the industry before privatisation.

vi. The existence of alternative wage for union members

The samples of annual average wage that can be used as a measure of 'inside option' wage (Smith, 1996) for members of NUPENG and PENGASSAN in case of temporary stoppage before privatisation are indicated in Tables 8 and 16. Their

ability to access alternative wage depends however, on their ability to secure temporary employment for the period of the strike, which in turn, depends on the macro level vacancy to unemployment ratio, examined below.

vii. The macro level vacancy/unemployment ratio

The indicators of vacancies and unemployment as well as the ratio of vacancies to unemployment for lower grade workers and for professionals and executives in Nigeria from 1999 to 2000 are indicated in Tables 9 to 11. As Table 11 indicates, in 1999 the vacancy to unemployment ratio for lower grade workers (NUPENG members) was 8.5 percent but declined to 7.71 percent in 2000. For professionals and executives (members of PENGASSAN) the ratio was 0.22 percent in 1999 but declined by almost fifty percent to 0.11 percent in 2000. For members of both unions therefore, it was becoming increasingly difficult to secure alternative employment (and hence, alternative income) during work stoppages before privatisation. According to Smith (1996) such a trend will have a negative effect on union bargaining power.

viii. The economic centrality of the industry/sector

As noted in section 5.2.1, the oil industry was more important to Nigeria's economy than other economic sectors and was a major source of revenue for the government before privatisation (See Table 22 for details). As argued in chapter one, theoretically, employers and government in developing nations will not risk work stoppages in such vital sectors. Consequently, NUPENG and PENGASSAN were at an advantage due to the political leverage they derived from this factor.



ix. The political context of bargaining

Like other Nigerian unions, NUPENG and PENGASSAN were affected by decades of military dictatorship. Unlike their counterparts, however, they were much more significant in national politics before privatisation largely due to their history of militancy, high level of strike mobilisation/capacity, political leverage and the centrality of the industry to Nigeria's economy and the global market. As Falola and Ihonvbere (1985) note for instance, various dictatorial military regimes did very little damage to the mobilising and strike capacities of NUPENG and PENGASSAN. Government intervention in trade unionism during the civilian administration of Nigeria's Second Republic (from 1979 to 1983) also had very little impact on the power of the unions before privatisation.

For instance, as noted in section 5.2.1 of this chapter, although NUPENG and PENGASSAN did not oppose privatisation of SOEs in the industry, they successfully opposed the privatisation of NNPC and its subsidiaries. The unions argued that with oil as the pivot of Nigeria's mono-cultural economy,

"...privatisation of any of the public concerns is tantamount to mortgaging the national security and interest. It will result in greater capital flight that will in turn deepen Nigeria's economic crisis, thereby accentuating the problems of low capacity utilisation, unemployment/retrenchment, high crime rate and other social vices" ('PENGASSAN BULLETIN, December 2001, p. 1).

According to PENGASSAN's President, the unions opposed that aspect of privatisation because;

“Privatisation the Nigerian way has dire consequences for labour, and these include job threats, threat to standard of living through inability to pay commensurate wage, pension and gratuity, increased unemployment, capital flight, lack of respect for Nigerian workers, chronic exploitation, repression and loss of self-respect by Nigerians. Also, our concerns and fears are further heightened because all organisations privatised by the BPE without recourse to the in-house unions and involvement of experts in such organizations have ended up with the human resources in such organization being badly treated” (Ogbeifun, 2004, p. 3).

The unions favoured liberalisation of the industry’s downstream sector under certain conditions and urged the government to break the monopoly of NNPC through liberalisation, while threatening to paralyse the economy if the government fails to fulfil their conditions (Ogbodo, 2001). Consequently, NUPENG and PENGASSAN successfully mobilised workers and embarked on nationwide ‘warning strike’ between September 23 and 24 of 2002, in order to force the government to rescind its plan (Adebayo, 2002; Interviews with union representatives, 2002). The government suspended its planned privatisation of the downstream sector of the industry until all issues raised by workers and other stakeholders in the industry are resolved (Awowole-Browne, 2002; Alexander Oil and Gas Connections, 2002). This was the first time in the history of Nigeria’s privatisation that government was forced to reverse its position due to trade union opposition. It therefore, underlines the strength of NUPENG and PENGASSAN.

x.       The legal context of bargaining

Under the provisions of the 1978 Trade Unions Act, recognition of NUPENG and PENGASSAN by oil employers was compulsory. The promulgation by the General



Abacha military dictatorship of Decrees Nos. 9 and 10 in 1994 to curtail the powers of the NLC and NUPENG/PENGASSAN, which were then engaged in a political strike, marked a watershed in the history of these unions. Decree No. 9 of 1994, although not necessitated by privatisation, dissolved the executive and national organs of NLC and replaced its leadership with a Sole Administrator appointed by government, while Decree No. 10 did the same thing in NUPENG and PENGASSAN.

Between 1994 and 1998 therefore, NLC and the two unions were rendered powerless, with their strike and mobilising capacity almost completely neutralised by military dictatorship. In 1998, these decrees were repealed by the General Abubakar regime and the control of NUPENG/PENGASSAN and NLC reverted to democratically elected labour leaders. Following the restoration of their national organs in 1998, NUPENG and PENGASSAN were able to reassert their political influence before the privatisation of SOEs in the industry commenced.

The empirical factors evaluated in the preceding paragraphs are meant to facilitate a measurement of the balance of bargaining power in Nigeria's petroleum industry before privatisation. The question at this stage is: how can these measures of bargaining power translate into actual empirical measurements? As earlier noted, Scott M. Fuess Jr.'s (2001, p. 5) formula is not applicable for measuring bargaining power in a pre-privatisation non-market context within which SOEs operate. An empirical measurement of bargaining power in the oil industry before privatisation, based on Scott M. Fuess Jr.'s (2001, p. 5) formula, will suffice to buttress this point.

As Table 33 (based on empirical indicators of NUPENG's wage demands and actual wage increases the union was able to secure) indicates, NUPENG's bargaining power was 50 percent in 1999 but declined to 5.6 percent in 2000, implying that its

bargaining power was low relative to employers. Actual industrial relations developments in the industry before privatisation however, suggest that NUPENG exerted a much higher level of influence than these empirical factors suggest due to its strong political leverage as evidenced for instance, by the union's successful opposition of NNPC's privatisation.

Moreover, contrary to Scott M. Fuess Jr. (2001, p. 8) conclusion that a decline in the percentage wage increase obtained by a union translates to a decline in leverage, the percentage wage increases achieved by NUPENG represents a national average (since collective bargaining in the industry takes place at the company level where salaries vary) and could be quite substantial compared to wages in other sectors as the oil industry pays the highest wages in Nigeria. Additionally, NUPENG may have requested very high increases as a bargaining strategy knowing that it was prepared to accept less. What this suggests therefore, is that for an empirical measure of bargaining power to give an accurate picture of the trend in an industry in a non-market, pre-privatisation context, union bargaining power, the economic centrality of the industry, the mode of bargaining (whether centralised or decentralised) and the political context of bargaining are important factors that must be taken into account.

#### 5.2.3.2. Collective bargaining

The nature of pre-privatisation industrial relations in Nigeria's petroleum industry was discussed at the beginning of this chapter. A repeat is therefore unnecessary. Suffice to note however, that before privatisation, collective bargaining in the industry was decentralised and was regulated by the provisions of various labour laws, with each company regarded as a domestic branch of NUPENG and PENGASSAN. According to Akinlaja (1999) the recourse to decentralised



bargaining by oil industry unions stems from the complex nature of the industry, comprised of multinational oil companies (backed by huge foreign reserves and the market power of their parent companies) and indigenous companies some of which rely one hundred percent on local capital. Negotiations in the industry before privatisation were biennial, except in the petrol tanker drivers' wing of NUPENG where negotiations were triennial (Akinlaja, 1999, Interviews with NUPENG and PENGASSAN's representatives, 2002).

Between 1993 and 1999, NUPENG and PENGASSAN cooperated in most of their branches and took common stand on issues concerning industrial relations. According to Akinlaja (1999) not all employers recognised both unions in the early days of unionism in the industry. Generally however, oil employers (including Conoil Plc) recognised NUPENG and PENGASSAN at all levels of bargaining and engaged in collected bargaining.

#### 5.2.3.3. Union Membership size and finances

Available data indicate that the membership size of NUPENG increased from 22,000 in 1984 (Akinlaja 1999, p. 65) to 22,397 in 1991 (Ibid, pp. 245-248) and 40,000 in 1992 (Interview with NUPENG General Secretary, 2002). In 1994, the members declined to 30,000 (Table 15) and 7,536 by December 1999 (Table 19). Data on the membership size of PENGASSAN were harder to obtain. Available data however, indicate that in 2000, PENGASSAN had 14,000 members (PENGASSAN Info, vol.1, No. 1, December 2000, p. 6).

As these data indicate, the combined membership of these unions declined prior to 1999, largely due to the effects of SAP (Fajana 2000, p. 68) and casualisation/contract employment. In 1991, for instance, there was an estimated

14,559 casual/contract junior workers in the industry as against 23,065 junior workers in permanent positions (Akinlaja 1999, p. 242; Onyeonoru, 2003, p. 9). The situation was replicated in the SOEs. For example, Conoil (then National Oil and Chemicals) Plc employed 336 casual junior workers compared to 900 permanent junior employees in 1999 (Akinlaja, 1999, pp. 245-248).

There is evidence from this study to indicate that the decline in trade unions' membership before privatisation affected their finances. For example, NUPENG earned about ₦3.6 million or US\$163,636.36 at an exchange rate of ₦22 to US \$1.00 in 1994 (Table 15). In 1999, the union earned ₦9.044 million or US\$91,534.41 at an exchange rate of ₦98.80 to US \$1.00 (Table 20. See Table 21 for the exchange rates of the Naira for various years). Despite the decline in their membership size and revenue however, NUPENG and PENGASSAN controlled a combined estimated membership size of about 22,000 workers before privatisation most of whom were skilled employees that could not be replaced at short notice.

#### 5.2.3.4. Wages

Before privatisation, wages in the petroleum industry were amongst the highest in the country (see Table 16) and were negotiated by NUPENG/PENGASSAN via collective bargaining with each company's management. In the case of NUPENG for instance, the average member's salary was about ₦40,000.00 monthly in 1999 (Akinlaja 1999, p. 92). Between 1994 and 1998 when Sole Administrators presided over the affairs of NUPENG and PENGASSAN, the unions were not able to freely negotiate wages on behalf of their members. With the restoration of union democratic leadership in 1998, NUPENG was able to negotiate 75 percent wage



increase (see Table 33). For PENGASSAN, average minimum wage was around ₦50,000.00 a month in 1999 (PENGASSAN 1999, p. 1).

#### 5.2.3.5. Grievance/disciplinary procedures

Grievance/disciplinary procedures in the industry were moderated by Nigeria's labour laws and formed part of collective agreements. The procedures comprised of a combination of internal and external statutory processes similar to what obtained in the finance sector, with powers for overriding mediation, conciliation and adjudication vested in the IAP and NIC. In a majority of cases, both parties draw up a Memorandum of Agreement upon which the IAP gives a consent award (Akinlaja, 1999).

By far the most important singular trigger for union grievance in the industry before privatisation were casualisation and contract employment, which unions regarded as “a design to phase out our union” (Akinlaja, 1999, p. 244) and a violation of section 7 of Nigeria's Labour Decree No. 21 of 1974 that mandates an employer to absorb a worker into permanent employment after three months of continuous service. Since 1991, casualisation, outsourcing and contract employment led to union actions against practically every company engaged in the practice (in the case of the NUPENG for instance, about 81 companies) and remained an on-going struggle for both unions even after privatisation (Ibid, pp. 245-248).

#### 5.2.4. Conclusion

Before privatisation, Nigeria's petroleum industry unions were very strong relative to employers as evidenced by their capacity to influence government policies and the terms/conditions of employment to their advantage. The unions derived their power

from their political leverage, which was in turn a product of the economic centrality of the industry to Nigeria and global oil market stability that the unions exploited to their advantage in negotiations. NUPENG and PENGASSAN's cohesion and bargaining power was also strengthened by the 1976 restructuring exercise and their collaboration over industrial relations matters. Moreover, both unions were comfortable financially while their combined estimated membership of about 22,000 highly skilled workers enhanced their mobilising and strike capacities and consequently, their bargaining power. Although trade union revenues declined as a result of the decline in their membership size, the unions remained financially buoyant.

Before privatisation, collective bargaining in the petroleum industry was decentralised and was accepted by trade unions and employers, while grievances were handled in accordance with the provisions of prevailing labour laws and collective agreements. There is evidence from this chapter of a decline in union membership before privatisation, due to a combination of factors like macro level economic decline, SAP, casualisation and contract employment. However, NUPENG and PENGASSAN were statutorily recognised by most employers (including SOEs). Wages were determined through collective bargaining by NUPENG/PENGASSAN and the management of each company. Although the unions were unable to conduct unrestrained wage negotiations on behalf of their members between 1994 and 1998 due to the brutal intervention of Nigeria's military dictators, by 1999 free wage negotiations resumed and the unions successfully negotiated increases in wages. SOEs and private establishments in the industry also provided for internal grievance machinery in their collective agreements regulated by the 1976 Trade Disputes Decree (as amended). Arbitration was compulsory with penalties stipulated for



failure to report disputes or strikes. Strikes and lockouts were also prohibited in cases where the process of conciliation and arbitration were ongoing.

In the preceding paragraphs, the characteristics of trade unionism and employment relationship in Nigeria's petroleum industry before privatisation were appraised in order to enable us compare the developments before privatisation with the post-privatisation trend. In section 5.3, an appraisal of post-privatisation trend will be conducted.

### 5.3. An Evaluation Of The Situation After Privatisation

The analysis in this section will cover the period between 2000 and 2004 and will involve a thorough evaluation based on the analytical variables adopted in section 5.2, as follows:

#### 5.3.1. The balance of bargaining power

Company performance data for Conoil Plc will be evaluated in this subsection as a measure of its post-privatisation performance and consequently, its capacity to continue to operate in the event of a temporary work stoppage. Other factors- the identity of trade unions, union membership size and density, the political and legal context of bargaining, the economic centrality of the oil industry and macro level vacancy/unemployment ratio will also be evaluated as important variables for computing the balance of bargaining power between NUPENG/PENGASSAN and employers in the industry's post-privatisation market setting, as follows:

i. The firm's liquid assets

Shortly before its privatisation, the company's performance improved slightly. The company came out of losses in 1999 as a result of increased sales and profits, with turnover rising to =N=17.376 billion and pre-tax profit at =N=936.35 million. Profit after tax was =N=749.6 million, an improvement on the loss of =N=596.72 million for 1998. Total assets for 1999 was =N=2.503 billion, a marked improvement compared to =N=2.273 billion for 1998 (*Thisday*, Monday, January 14, 2002, p. 23; Table 32).

After the company's privatisation, its performance improved phenomenally. By the end of 2000, total assets rose to =N=2.435 billion, rising further to =N=11.470 billion in 2001 and =N=12.964 billion in 2002, while total turnover rose from =N=17.376 billion in 1999 to =N=21.886 billion in 2002 (Conoil Plc, Annual Report, 2002) There was also an improvement in profitability with profit after tax (which declined from =N=749.602 million in 1999 to =N=527.041 million in 2000) rising to =N=1.022 billion in 2001, although it declined to =N=741.384 million in 2002 (Ibid; Table 32).

In line with Smith's (1996) theory, the improvement in Conoil Plc's performance between 1999 and 2002 implies that it was easier for it to continue to meet its financial commitments in the event of a stoppage and is an indication of an improvement in its bargaining power.

ii. The firm's inventory

In 1999, largely as a result of its 1998 re-engineering exercise (known as the Business Process Improvement- BPI) Conoil Plc's total turnover rose by 50 percent



to ₦17.367 billion compared to 1998 (NOLCHEM Plc, Annual Report and Accounts, 1999, p. 6) with turnover from both oil and chemical products at ₦16.586 billion and ₦790.002 million respectively (NOLCHEM Plc, Annual Report and Accounts 2000, p. 19). After its privatisation, the company's total turnover rose further by 14 percent to ₦20.192 billion in 2000 (Ibid.) with turnover from both oil and chemical products at ₦19.545 billion and ₦647.841 million respectively (Ibid.). The company's stocks (valued at a loss of ₦109.2 million in 1999) rose to ₦1.735 billion in 2000 and ₦2.081 billion in 2002 (Conoil Plc, Annual Report, 2002).

With the increase in its inventory, the company's ability to survive a temporary work stoppage and consequently, its bargaining power could be said to have improved, in line with Smith's (1996) theory. As Smith (1996) notes, larger inventories should increase bargaining power and reduce wages and vice versa. The higher the level of stocks of finished goods, the greater the firm's ability to survive a temporary work stoppage and the greater its bargaining power, and, by extension, its ability to resist workers wage demands. A high level of inventories, according to Smith (1996) might however, be indicative of a reduced demand for the company's product and consequently, might induce workers to accept lower pay settlement. However, as noted earlier, the balance of bargaining power between management and unions is not dependent on the level of inventory alone but on a combination of factors.

### iii. The level of capital intensity

As at 2000 when the company was privatised, its market capitalisation was valued at ₦8.5 billion, with the company occupying the fifteenth position amongst the country's top twenty companies on the Lagos Stock Exchange

(<http://www.NigeriaBusinessInfo.com>, 2004). By 2001, the company's market capitalisation increased to ₦10.2 billion, with the company occupying the 18<sup>th</sup> position on the list of top twenty companies (Ibid.). According to Smith (1996) a high level of capital intensity lowers a firm's bargaining power by raising rental or interest costs during a temporary stoppage.

iv. The identity of the trade unions

There is no evidence of a change in the identity (and structures) of NUPENG and PENGASSAN due to privatisation. Collaboration between both unions over most issues of industrial relations also remains intact, same as their militancy as evidenced by their continued joint opposition to the government's attempt to privatise the NNPC even after the privatisation of the industry's downstream sector.

As Akinlaja (1999) notes;

“Over the years, both sides of the oil industry have been closing ranks and acting in concert. That is the reality on the ground in most branches of NUPENG and PENGASSAN. Although still maintaining their individual identities, they take a common stand on issues. It does not matter whether the issues concern retirement, conditions of service, arbitrary termination of employment, or expatriates taking over jobs for which qualified Nigerians are available. Whenever the issue of common welfare arises, the union (NUPENG) and the Association (PENGASSAN) pull down the artificial barrier erected by that separatist piece of legislation (the 1978 Trade Unions Act). If the matter affects PENGASSAN and the leadership of the senior staff association solicits NUPENG's support, an alliance quickly forms, and vice versa” (Akinlaja 1999, p. 93, parenthesis mine).



The ease with which members of NUPENG metamorphose into membership of PENGASSAN further cements the solidarity between the two unions. As Akinlaja (1999) notes;

“NUPENG graduates automatically admitted into the ranks of the senior staff are finding themselves in positions of leadership inside PENGASSAN. Thus, the two groups have become indivisible, fighting battles together” (Ibid.).

The implication of this alliance for collective bargaining is not lost on employers in the industry. Where agreements are not forthcoming, the unions still mobilise their joint (macro level) strike arsenal in order to force an agreement at the company level. Strikes in the industry portend grave implications for oil exports and international oil market stability and prices- a fact that moderates both government and employers’ response to the unions’ demands to the latter’s advantage.

v. Union density

Despite the scarcity of union density data at the macro and micro levels of Nigeria’s oil industry, it is safe to assume on the basis of the overall decline in the post-privatisation membership of NUPENG and PENGASSAN (discussed below) that union density in the industry declined, at least in the privatised SOEs. Theoretically therefore, NUPENG and PENGASSAN should be the less willing than Conoil Plc’s management to pursue a bargaining strategy that could induce a stoppage. However, both unions continue to maintain a formidable presence in most of the privatised SOEs, including Conoil Plc and continue to pursue a bargaining strategy that could induce work stoppage even after privatisation.

vi. The existence of alternative wage for union members

In the absence of NUPENG and PENGASSAN strike funds, the availability of alternative income from temporary employment elsewhere or from the income of their striking members' household remains the only other means of enhancing both unions' bargaining power after privatisation. As Tables 8 and 16 indicate, the 'inside option' wages available to oil workers in the event of a temporary work stoppage are no where near what is obtainable in the industry. Moreover, the union members' chances of finding alternative employment are pretty slim given Nigeria's low post-privatisation macro level vacancy to unemployment ratio discussed below.

vii. The macro level vacancy/unemployment ratio

The indicators of vacancies and unemployment as well as the ratio of vacancies to unemployment for lower grade workers and for professionals and executives in Nigeria from 1999 to 2002 are indicated in Tables 9 to 11. As Table 11 indicates, the vacancy to unemployment ratio for lower grade workers (NUPENG members) which was 8.5 percent in 1999 declined to 7.71 percent in 2000 and 7.29 percent in 2001. For professionals and executives (members of PENGASSAN) the ratio was 0.22 percent in 1999, 0.11 percent in 2000 and 0.05 percent in 2001.

It is evident from the three Tables that it was becoming increasingly more difficult for the unions' members to secure alternative employment and hence, alternative income after privatisation. As Smith (1996) notes, such a trend will have a negative effect on the bargained wage and the expected value of the employees 'inside option'. However, developments in post-privatisation industrial relations in the



industry indicate that the decline in macro-level vacancy/unemployment ratio had very little impact on the unions' bargaining power.

viii. The economic centrality of the industry/sector

Oil remains Nigeria's most important economic product after privatisation. For example, in 2002 oil accounted for over 95 percent of revenue Nigeria generated from exports, over 72 percent of total trade and 173.5 percent of the balance of trade, while non-oil products accounted for 80.18 percent of imports, 4.73 percent of exports and re-exports, and 27.19 percent of total trade (See Tables 30 and 31).

ix. The political context of bargaining

NUPENG and PENGASSAN remain politically influential and are able to 'persuade' both government and employers in the industry to moderate their stance on industrial relations matters and privatisation. The unions' continue to derive political influence from factors like the economic centrality of the industry to Nigeria's economy and global oil market stability, their militancy and cohesion, their collaboration in collective bargaining and their mobilising and strike capacities. The fact that the government has so far been unable to privatise NNPC and its subsidiaries is an evidence of the strong political leverage exerted by NUPENG and PENGASSAN.

x. The legal context of bargaining

There is no evidence from this study to indicate any change in the legal context of bargaining in the industry after privatisation. Apart from the 1999 Privatisation and Commercialisation Decree which provides guidelines for implementing the programme but is devoid of provisions on the conduct of employers and unions, Nigeria's labour laws have in no way been modified to promote the objectives of privatisation in the industry.

#### 5.3.1.1. Empirical measurement of the balance of bargaining power

The predictive measures of bargaining power evaluated in section 5.3.1 are meant to facilitate an empirical measurement of the balance of bargaining power between unions and employers in Nigeria's petroleum industry after privatisation. As in the last chapter, Scott M. Fuess Jr.'s (2001, p. 5) formula will be adopted for this purpose, using data on both settlement terms and opening demands on wage negotiations after privatisation. According to Scott M. Fuess Jr. (2001, p. 5) formula, union leverage ( $\lambda$ ) can be indexed as:  $\lambda = (w/d) \times 100$  where ( $w$ ) is contract wage and ( $d$ ) is the union's demand.

As Table 33 indicates, union leverage for NUPENG experienced a decline from 50 percent in 1999 (shortly before privatisation) to 5.6 percent in 2000. The union, however, experienced a slight increase in leverage between 2000 and 2003. As Scott M. Fuess Jr. (2001, p. 8) notes, if unions and firms have routinely achieved harmony in their wage negotiations, union leverage ( $\lambda$ ) will be fairly steady over time. However, if consensus is realised simply by splitting their differences,  $\lambda = 50$ , meaning unions obtained half of the amounts demanded. If, on the other hand unions are not keen to press their demands,  $\lambda < 50$ . If union leverage is eroded along with the decline in union density, then  $\lambda$  falls for the latter years of the sample.

According to Table 33, NUPENG's leverage (theoretically) declined over the years after privatisation. Moreover, Scott M. Fuess Jr. (2001, p. 8) posits that every time contractual pay growth falls by at least one percent, union power is assumed to have dropped and vice versa. As Table 33 indicates, NUPENG and employers in the industry routinely achieved harmony in their wage negotiations before privatisation. By 2000, NUPENG's leverage was on the decline. At no time during the period was there a consensus between NUPENG and employers.



However, Scott M. Fuess Jr.'s (2001, p. 5) formula cannot solely account for changes in bargaining power after privatisation. Available evidence from this study indicates for instance, that NUPENG exerts a much higher level of influence on both employers and government than the post-privatisation empirical data presented above suggests. For one thing, the percentage increase in wages achieved by the union after privatisation represents a national average (since collective bargaining in the industry, as earlier noted, takes place at the company level where salaries vary). Moreover, the increases agreed to by NUPENG may be quite substantial considering the fact that the industry pays by far the highest wages in Nigeria. The union may also have requested very high percentage increases as a bargaining strategy.

This suggests that for an empirical measurement of bargaining power in a market-related post-privatisation context to give an accurate picture of the trend in an industry/sector, the economic centrality of the industry, the balance of bargaining power, the nature of bargaining (centralised or decentralised) and the political context of bargaining are important measures that need be considered alongside data on wage demands.

NUPENG's General Secretary describes the trade union's power relationship with management of the privatised SOEs as follows;

"You know in NUPENG we have since empowered ourselves that no manager who confronts us will succeed. We prefer dialogue as the first option but when managements are difficult we also expose the difficult aspect of our own union" (Interview, 2002).

PENGASSAN's Secretary-General also notes as follows;

"I think it (privatisation) has not affected our relationship in the sense that, of course, in any situation if you get what you want there is always peace, and management

who are also involved in the process realise that they can only make progress if they relate properly with the union. They may have their own business interests but I think along the line they also realise that they have to carry along the workforce and by extension, the union. So I think we've not had problems (Interview, 2002).

### 5.3.2. Collective bargaining

There is continuity in the legal framework of collective bargaining in Nigeria's petroleum industry. Collective bargaining also remains the accepted method of mediating employment relationship in the privatised SOEs, including the Conoil Plc. According to PENGASSAN's Secretary-General;

"The collective bargaining system is still there, we still renew our collective agreements every two years as the case may be. It (privatisation) has not affected the relationship between management and the union because don't forget that this is not a new union; we've been on the ground for quite some time. So there is no single management- a core investor that has come in that will not follow the processes that have been in place with regard to union-management relationship. So, we've really not had an antagonistic core investor. Most of them come into this industry with caution, particularly because of its unions- NUPENG and PENGASSAN. They know that if you come into this industry, then you must fall in line because standards have been laid from time. So they just fall in line. We've not had situations of "oh, National Oil (Conoil) has been privatised and so it has closed, you don't have NUPENG and PENGASSAN there any more" (Interview, 2002).

Both unions' structures are also intact. On privatisation's impact on union structures, PENGASSAN's Secretary-General said; "No, we have all our structures in place" (Ibid.).



Privatisation however, benefited NUPENG and PENGASSAN in the area of collective bargaining. Like their finance industry counterparts, the unions now negotiate beyond the terms of the existing collective agreements. For example, in order to resolve the strike embarked upon by the unions to protest the privatisation of Oando (formerly Unipetrol) Plc, NUPENG/PENGASSAN and the company's management (amongst others) agreed in 2000 that:

- i. Any existing vacancies or those that may arise from structural re-organisation shall be filled within the company, except where no capable hand exists from within;
- ii. There shall be no further rationalisation of staff for the next five years;
- iii. The option of early retirement of any staff shall be negotiated and agreed before it is carried out;
- iv. Members of staff of Unipetrol shall be appointed into the Boards of Unipetrol subsidiaries and associated companies;
- v. Management and the two house unions shall be given the opportunity to present memoranda to Board Committees from time to time;
- vi. No employee shall be victimised or intimidated under any guise; and,
- vii. Members of staff of Unipetrol Nigeria Plc shall be paid an ex-gratia allowance of three months basic salary (PENGASSAN et al, 2000, pp. 1-3).

In some of the privatised SOEs, such negotiations created problems. In Conoil Plc for example, the management's voluntary severance proposal was only negotiated after a strike action by NUPENG and PENGASSAN (Interview with union representatives, 2002). According to the company's management representative, in order to end the action, "the company's management agreed to pay 150 percent of

monthly basic salary multiplied by number of years served by each affected employee, excluding their other normal entitlement enumerated in the company's policy manual" (Interview, 2002).

There is no evidence to indicate a shift from collectivism to individualism in Conoil Plc and other privatised SOEs in the industry like was the case in First Bank Plc after privatisation. Rather, there is continuity in decentralised collective bargaining. According to its management representative, Conoil Plc still recognises both unions at all levels of bargaining (Interview, 2002). Despite privatisation, there is no total de-unionisation in any of the privatised petroleum industry SOEs. Rather, privatisation strengthened the bargaining instruments of the unions as evidenced, for instance, by the juicy post-privatisation severance packages they signed with the management of Conoil Plc, African Petroleum Plc and Oando Plc, which PENGASSAN's Head of Research sums up as follows;

"What we have done is to negotiate fatter packages and conditions for our members to ensure that our members' working conditions of employment and remuneration packages are improved or sustained. And for those that cannot be retained by the organisation, better redundancy packages are negotiated so as to tide the effects of post-privatisation and the effects of redundancy that they are likely to encounter in this process of restructuring...Take, for instance, the case of UNIPETROL. We had discussions for a special redundancy package, which was presented to the staff and the staff were asked to voluntarily write in to signify interest if they will like to go. And a lot of staff, because the package is juicy and rich, embraced this package. But it is not something that is forced into the throats of people. People are given an option to write in for redundancy. That's exactly what happened in UNIPETROL" (Interview, 2002).



These gains did not, however, come easy. As NUPENG's Senior Organising Secretary notes in the case of Unipetrol Plc, Conoil Plc and Oando (formerly African Petroleum) Plc;

“It wasn't very easy in those companies, apart from African Petroleum. Unipetrol was a problem in itself due to the method of the BPE and series of meetings and demonstrations were held by the workers. The BPE had to come to Lagos from Abuja to come and address the workers and allay their fears. But at the end of the day, there was reasoning on both sides and conditions were set out that will create cordial employment relationship with the core investors that bought over Unipetrol” (Interview, 2002).

The reasons adduced for the unions' actions over privatisation however, varied from one company to another. In Oando Plc, for instance, workers wanted to buy over government's equity while in Conoil Plc the case was different. According to Conoil Plc's NUPENG representative;

“The core investor did not initially take the workers into consideration and so there were strikes and demonstrations by the workers until eventually, they came up with an agreement, which is almost similar to that of Unipetrol” (Ibid.).

Conoil Plc's Industrial Relations Manager substantiated the unions' claim. According to him;

“The unions were called by the management and we had several very prolonged discussions on how best to handle the issue. Eventually, they came to develop a single mind that there should be what is called ex-gratia arrangement- what they call voluntary severance package- for the willing staff. Eventually, the two parties (management and the two unions) plus other staff representatives that were elected by the staff sat together and they worked out a package which eventually was very

satisfactory to all the parties...The unions were fully aware that some people must leave but they were opposed to the conditions on which the people were leaving and that was what informed that severance package” (Interview, 2002).

Overall, despite privatisation, relations between unions and management in the industry remain cordial due to the existence of effective bipartite committees for resolving union-management conflicts. According to NUPENG’s Senior Organising Secretary, “Most of the cases in the oil industry end with these committees. In the unlikely event that it does not end, maybe, it ends in mediation or conciliation. But we rarely go to NIC or for arbitration in NUPENG, rarely, only in very rare cases” (Interview, 2002).

NUPENG’s General Secretary describes the post-privatisation relationship between the NUPENG and management in the industry as follows;

“Well, it’s cordial. I would say it is cordial because we have well-established dialogue machinery in the oil industry- a joint consultative committee, the negotiating committee and the collective bargaining committee. So either of these organs could be invoked to deal with any crisis that arises” (Ibid.).

Evidence from privatised SOEs supports this claim. According to a Conoil Plc union representative, the unions,

“...are still at least fully in charge of the operations and we’ve not been relegated. So, we are still needed. Our services are very much needed, so that means we are relevant. So as long as we are relevant, no matter the number, I don’t think we have any problem” (Interview, 2002).

The company’s management’s representative confirmed the unions’ claim, describing post-privatisation union-management relationship in the industry as follows;



“I think it’s cordial. It’s cordial. I think it’s very cordial” (Interview, 2002).

In the case of PENGASSAN, one of its representatives depicted the union’s relationship with the management as follows;

“It was rough initially but I think we are understanding ourselves better now. But we are still not near where it used to be before privatisation. Everybody has to be convinced that the other party respects each other. That’s what we are working on now so that we understand ourselves more, we respect our different views better. At least we are forging ahead in that direction” (Interview, 2002).

### 5.3.3. Union membership and finances

There is no change in Nigeria’s statutory provisions on union membership. However, there is evidence that the macro level membership of NUPENG and PENGASSAN declined shortly after privatisation but rose in the long run. For example, NUPENG’s membership size declined from 7,536 workers in 1999 to 6,266 in 2000 but rose to 16,166 in 2001 and thereafter to 17,484 in 2002 (See Table 19). In the case of PENGASSAN, membership size which was 19,700 before privatisation (Interview, 2002) declined to 14,000 workers in 2000 (PENGASSAN Info, vol.1, No. 1, December 2000, p. 6) but rose to 20,100 workers in 2004 ([www.pengassan.org.ng](http://www.pengassan.org.ng)).

Evidence from this study therefore, indicates a decline in trade union membership shortly after privatisation followed by an increase in membership in the long run. The long run increases in membership may not necessarily be directly ascribable to privatisation, since the unions intensified their efforts to unionise contract workers after privatisation. PENGASSAN’s Secretary-General describes the impact of privatisation on the union’s membership strength and finances as follows;

“Well, of course loss of membership, and, like I said before, what we do is salvage as many as we can and then some must definitely go because a privatised company will want a very trimmed workforce. ...So loss of membership and, of course loss of revenue for the union. If you lose members by extension your check-off is also affected. So I think basically, by far the most important is loss of membership. There is no privatised company that will not reduce staff” (Interview, 2002).

PENGASSAN is however better off than its junior staff counterpart, the NUPENG. As PENGASSAN’s Secretary-General notes;

“You realise that what happens mostly is that they (employers) want certain group of workers to leave. As those ones leave, they also employ new hands. So there is a kind of balance: people go, people come. It’s not as if we are plunging down with every privatised company. No, we are quite stable, particularly those of us in the senior staff level because we are mostly made up of professionals and all that- people who have skilled labour sort of. ...In the oil industry you realise that the table has turned. Some years back (so many years back) what you had was more of junior staff, fewer senior staff. But because of professionalism, technology and all that, you now have more senior staff than junior. So I think that membership-wise, if you go into the records you have more senior workers than junior in the oil industry now” (Ibid.).

“For some time, maybe numbers of our members have dwindled, but over time they have also employed. As they employ, they come in. But that is not to rule out some managerial tactics by some management who would want to cage new people. They don’t want them in the unions, so they are made to sign an undertaking not to belong to the union. Where we have heard such report we have also tackled it because the laws are there to protect every worker, you know his/her right to belong to a union”



(Interview, 2002).

What this suggests is a decline in the membership of NUPENG related to the human resource needs of the new management of privatised SOEs, as well as variations in the two union's experiences in the area of membership loss. For example, in 1999, Conoil Plc employed 900 permanent junior employees compared to 51 permanent junior employees in 2001 (NUPENG, 2001, p. 3).

The company's management representative substantiated the evidence of a decline in union membership in Conoil Plc. According him, as at December 2001 the company employed about 450 workers but the number declined to 350 workers by March 2002 (Interview, 2002). Trade union representatives in Conoil Plc also corroborated the evidence of union membership decline. A representative of PENGASSAN in the company claimed for instance, that before privatisation, PENGASSAN had 150 members (comprised of only permanent staff) but the number declined to 80 after privatisation as a result of voluntary disengagement by workers who took advantage of the voluntary severance package negotiated by the unions and the management in 2001 (Interview, 2002).

Data from Conoil Plc's 1999 collective agreement with NUPENG and interviews with union representatives also indicate that (excluding about 150 contract staff unionised by NUPENG in 2002) NUPENG's permanent members declined from 164 in 1999 (NUPENG/NOLCHEM Plc, 1999. p. 2) to 70 in 2002 (Interviews, 2002).

Data from company records also substantiate this conclusion. For example, membership strength of NUPENG and PENGASSAN in Conoil Plc declined in proportion to the company's total workforce. In 1996, the company employed 636 workers comprised of 75 managerial, 262 senior and 299 junior employees. In 1997, the number of employees declined to 563, comprised of 63 managerial, 220 senior

and 280 junior employees (NOLCHEM Plc, Annual Report and Accounts, 1997, p 25). By 1998, the number of employees declined to 294, comprised of 49 managerial, 173 senior and 72 junior employees (NOLCHEM Plc, Annual Report and Accounts, 1999, p. 21).

In 1999, there were 320 workers in the company, comprised of 49 managerial staff, 206 senior and 65 junior employees (Ibid.). After the company's privatisation in 2000 however, its workforce declined to 303 workers, comprised of 62 managerial, 183 senior and 58 junior staff (NOLCHEM Plc, Annual Report and Accounts, 2000, p. 22). In 2002, the company employed 225 workers (comprised of 22 managerial, 195 senior and 8 junior staff) but the number increased to 264 workers, comprised of 20 managerial, 241 senior and 3 junior staff in 2003 (Conoil Plc, Annual Report and Accounts, 2003, p. 23). Between 1999 and 2003 therefore, the number of managerial and senior employees (members of PENGASSAN) increased while the number of junior staff (members of NUPENG) declined. NUPENG's Senior Organising Secretary estimates, for instance, that between 30 percent and 40 percent of NUPENG's members in privatised petroleum SOEs were affected by redundancy (Interview, 2002).

The impact of NUPENG and PENGASSAN's membership decline on the collective bargaining process however, appears minimal. According to a PENGASSAN representative in Conoil Plc;

“Numbers do not really count when it comes to bargaining with management. It is the size of the company that dictates what happens. We are still at least fully in charge of the operations and we've not been relegated” (Interview, 2002).

The impact has been rather pronounced at the company level in the area of union



mobilisation where workers were hitherto strong but where union capacity has reduced drastically. At the macro level of the industry however, NUPENG and PENGASSAN's mobilising capacity is still very much effective. Privatisation also precipitated a change in the unions' membership recruitment strategies with both unions now more pro-active in their membership recruitment drive. For example, NUPENG adopted a resolution in 2001 threatening to carry out political actions against casualisation every year. As a result, the union successfully unionised 3000 new members that year (Interview with NUPENG's Senior Organising Secretary, 2002). The union's General Secretary estimates that this effort resulted in the unionisation of 30 percent of contract workers in the industry (Interview, 2002).

NUPENG and PENGASSAN also embark on joint actions. In November 2001, for instance, both unions embarked on an industrial action to demand for the unionisation of casual workers which resulted in an agreement by NUPENG/PENGASSAN and other social partners in the industry that contract employees who meet company recruitment standards should be given equal opportunity for regular employment when vacancies occur (NNPC et al, 2001, pp. 1-2). The unions also resort to pre-emptive industrial actions in order to secure guarantees for their members in SOEs that are yet to be privatised as in the case of the NNPC and its subsidiaries discussed earlier.

Union finances declined as a result of privatisation. As earlier noted in this study, in 1999, NUPENG earned ₦9.044 million or US\$91,534.41 (at an exchange rate of ₦98.80 to US \$1.00). In 2000, it earned ₦7.52 million or US\$68,011.85 (at an exchange rate of ₦110.55 to US\$1.00) indicating a decline in revenue. In 2001, the union earned ₦19.4 million or US\$157,208.05 (at an exchange rate of ₦123.54 to US\$1.00) and in 2002, its earnings declined to ₦19.23 million (at

an exchange rate of =N=130.56) i.e. US\$147,303.02 (Table 20). What this suggests is that NUPENG's revenue declined between 1999 and 2000 but increased in 2001 (probably due to the unionisation of contract workers rather than post-privatisation increases in employment) only to decline further in 2002.

#### 5.3.4. Wages

No reduction occurred in the wages of employees of the privatised oil SOEs. Rather, wages increased after privatisation. In 2000, for example, at the macro level of the industry, NUPENG obtained an average of 8.5 percent increase in wages, 10 percent increase (2001), 12.5 percent (2002) and 16 percent increase in 2003 (see Table 33). Wages also increased in the industry's privatised SOEs. In Conoil Plc, for example, total emoluments and other allowances of workers fortunate enough survive redundancy increased.

According to the company's management representative;

“A lot of things are being put in place now as a way of employee motivation or welfare schemes for the employees. Quite a few things we are trying to do- what you may call basic travel allowance, we are trying to review it, bring it to a reasonable rate to enable staff to do their jobs very well. But many more other things are still in the pipeline. Like, for example, car-ownership scheme, increases in some other areas- sitting allowances and increase in salaries. This is ongoing. It is being looked into at this point in time. This is as a result of privatisation” (Interview, 2002).

Company records substantiate the findings of post-privatisation wage increases. Conoil Plc's post-privatisation expenditure on wages and salaries indicate, for example, that although the average number of the company's employees between 1999 and 2001 declined from 320 to 303, salaries and wages costs increased from



=N=373.923 million to =N=497.956 million. In 2001, salaries, wages and related staff costs rose to =N=548.805 million despite the fact that about 100 employees (Interview with Conoil Plc's management representative, 2002) opted for voluntary redundancy, as proved by its =N=229.391 million severance costs for 2001.

In 2002, the company's workforce was 225 while wages, salaries and other related staff costs declined to =N=479.263 million. Severance costs for 2002 was =N=448.036 million (almost equal to the wage bill for 2002 and double the severance costs for 2001). In 2003, the company's workforce rose to 264 while total staff costs more than doubled the 2002 figure at =N=1.15 billion (see NOLCHEM Plc, 1999, p. 28 and Conoil Plc, 2003, p. 23. Data for 2001 and 2002 downloaded from <http://www.conoilplc.com/about/financial/reports/valueaddedstatement.htm>).

Generally in the industry, wages increased after privatisation (See Table 33). In the industry's downstream sector, wages increased by 5 percent in 2004 (Ahiuma-Young 2002, p. 1).

#### 5.3.5. Grievance and disciplinary procedures

There is continuity in the laws regulating grievance and disciplinary procedures in the industry. The incidence of trade disputes appears not to have increased significantly at the macro level as a direct result of privatisation, although not at the micro level where all the privatised SOEs experienced actions by unions as a direct consequence of privatisation. In Oando Plc, for instance, NUPENG and PENGASSAN embarked on six weeks strike in order to force an agreement guaranteeing non-termination of the employment of union members without due consultation for five years after privatisation (Interview, with union representatives, 2002).

In African Petroleum Plc, NUPENG and PENGASSAN embarked on two days strike to protest the company's privatisation, while in the case of Conoil Plc, the action by the unions over redundancy in 2000 lasted for six weeks (Ibid.). According to a union representative, the unions' action was Conoil Plc's first experience of an industrial action by its branch level unions (Interview, 2002). Conoil Plc's Industrial Relations Manager substantiated the evidence of an increase in union actions. In response to this Author's question on whether unions engaged in any form of action as a result of privatisation-related changes, he replied;

"We had some problems with the unions...Obviously the problem we had here was premised on how the staff that were willing to go will disengage. Eventually there was dialogue. Both sides sat down, discussed and we came to a conclusion. So eventually it was resolved. Thank God that NUPENG and PENGASSAN were behind the staff to settle the matter amicably through a fourteen-point Memorandum of Understanding through which the two unions and the company's management reached agreement on severance package, the collective agreement and a number of other matters" (Interview, 2002). The trade unions also embarked on 30 days work-to-rule action in the company in 2001 over unpaid salaries (see Table 34).

#### 5.3.6. Conclusion

In this chapter, the impact of privatisation on trade unions and employment relations in Nigeria's petroleum industry was evaluated. At this stage, a summary of the unique features of post-privatisation trade unionism and employment relationship in the industry is essential. Evidence from this study indicates elements of both change and continuity. For example, although trade union bargaining power declined slightly in privatised SOEs like Conoil Plc due to the reduction in union membership size and



density, at the macro level of the industry unions continue to exert a high level of leverage on both employers and the government. Additionally, trade union cohesion remains high, with both unions negotiating jointly with employers on all aspects of industrial relations.

There is no evidence from this study to indicate a significant modification of the legal framework of collective bargaining in the industry as a result of privatisation. Privatisation has however, benefited unions in the area of collective bargaining. Like their finance industry counterparts, NUPENG and PENGASSAN now negotiate benefits beyond the terms of existing collective agreements. Sometimes the voluntary severance packages negotiated by the unions are so juicy that they are over-subscribed.

One noticeable development in post-privatisation collective bargaining at the micro level of the industry is the intervention by government agencies in industrial disputes in order to resolve labour-management problems (a practice hitherto prevalent at the macro level of the industry). For example, the BPE successfully intervened in the work-to-rule action embarked upon by the employees of Conoil Plc to press their demands for an agreement on a voluntary severance package and mediated the signing of a Memorandum of Understanding by the management and staff (BPE, 2001a). There is no evidence to indicate a deviation from the industry's practice of decentralised collective bargaining nor has there been a change in union structures. Overall, relations between NUPENG and PENGASSAN and oil industry employers appear relatively cordial due to their recourse to the industry's effective bipartite conflict resolution committees.

In the area of union membership size and finances, although no change in the legal provisions on trade union membership was recorded, there is evidence that

membership size of NUPENG and PENGASSAN declined shortly after privatisation but rose slightly in the long-run. There are however, variations in privatisation's impact on the unions' membership size related to changes in the human resource requirements of the new core investors. The NUPENG estimates, for instance, that between 30 and 40 percent of its members in the privatised SOEs were affected by privatisation-related redundancy, while the PENGASSAN, on the other hand, was better off.

The effect of the decline in the membership size of the unions is more pronounced in the area of trade union mobilising capacity in privatised SOEs like Conoil Plc, where the unions' capacity to mobilise their members for industrial action has reduced drastically. At the macro level however, the unions' mobilising and strike capacities remain largely unaffected by privatisation. Despite the fluctuations in their membership and finances, NUPENG and PENGASSAN control an army of skilled workers that cannot be replaced at short notice, even after privatisation.

Privatisation made the unions more proactive in their membership recruitment drive. As a result of its impact, NUPENG and PENGASSAN now focus more attention on the unionisation of casual and contract workers. There is, however, no evidence of total de-unionisation in any of the privatised petroleum SOEs like happened in FBN Plc. The decline in trade union membership has also not led to a moderation of union militancy in the petroleum industry, as evidenced by the fact that NUPENG and PENGASSAN still consider strikes as weapons of first resort. There is evidence from this study also to indicate an increase in the post-privatisation wages of employees of the privatised SOEs.

No evidence exists from this study to indicate a change in the law regulating workplace grievances or a modification of the practice in the privatised SOEs due to



privatisation. Additionally, the incidence of strikes and work stoppages appears not to have increased significantly at the macro level of the industry as a direct consequence of privatisation, although in privatised SOEs like Conoil Plc, there is evidence of an increase in union actions over the specific details of post-privatisation restructuring embarked upon by the new management.

In conclusion, it is evident from the analysis in this chapter that changes have occurred in the nature of trade unions and employment relationship in Nigeria's petroleum industry largely as a result of changes in ownership and control, managerial/corporate strategies as well as changes in the structure and objectives of former SOEs arising from privatisation. Overall, privatisation has affected trade unions in Nigeria's oil industry negatively in the areas of membership size and revenue, union density and employment relationship, although its impact is more severe at the micro level. As a representative of NUPENG in Conoil Plc notes;

“We don't need to deceive ourselves- it's not business usual...If this is going to be a changed environment it may take time but it cannot be delayed. It is time up. The core investor is coming here to make money and he is not Father Christmas or something” (Interview, 2002).

It is worthy of note however, that not all changes observed in privatised SOEs in Nigeria's petroleum industry after privatisation can be attributed solely to privatisation. The degree to which the observed changes can be attributed to privatisation is examined in section 5.4.

#### 5.4. The Impact Of Privatisation

In this section, an attempt will be made to identify those elements that could be attributed to privatisation by relating them to specific strategic proposals from

petroleum employers for restructuring privatised SOEs, i.e. the new corporate strategies of the privatised SOEs. This will involve an assessment of the extent to which the changes identified in Section 5.3 can be explained by the new corporate strategy of the case study SOE- Conoil Plc. A review of the background as well as the strategic proposals of employers for restructuring Conoil Plc will precede our assessment by way of introduction.

#### 5.4.1. Conoil Plc Case Study

##### 5.4.1.1. Introduction

Conoil Plc commenced operations in Nigeria as an oil marketing company known as Shell Company of Nigeria in 1927 and transferred its interests to Shell Company of West Africa in 1938. Incorporated as a private limited liability company in 1960, the Federal Government acquired 60 percent of its equity in 1975 through NNPC as a result of which it became known as NOLCHEM Plc. The company was registered with the Nigerian Stock Exchange in 1989 as a public liability company (NOLCHEM Plc 2000, Conoil Plc, 2003).

The company's shareholding, which rose from 252 million to 294 million ordinary shares between 1996 and 1997 and 343 million shares in 1998, remained unchanged between 1998 and 2000. Before privatisation, the Federal Government held 40 percent equity through the NNPC, Shell Petroleum Company of Nigeria (U.K) Limited held 40 percent and the Nigerian public held 20 percent (Ibid.). Shortly before its privatisation however, Shell Petroleum Company of Nigeria sold its 40 percent equity to the Federal Government, increasing the government's equity holding to 80 percent (NOLCHEM Plc, 2000, p. 4).



The ownership structure however, changed following the company's privatisation in 2000. Conpetro Limited held 205.8 million shares (60 percent), the Federal Government (through BPE) held 68.6 million shares (20 percent), while the Nigerian public held 20 percent (NOLCHEM Plc, Annual Report and Accounts 2000, p. 10). The company's board of directors was restructured in 2000 to reflect the new ownership structure, with the majority shareholder (the core investor) as the new chairman and other major shareholders as directors. Representatives of international technical interests were also appointed into the board (NOLCHEM Plc, 2000 Annual Report and Accounts, p. 3).

#### 5.4.1.2. The restructuring exercise

The company's ownership status changed in November 2000 when the Federal Government privatised the company and sold 60 percent of its 80 percent equity to a new core investor, Conpetro Limited, while the Nigerian public and the government-owned BPE controlled 36 percent and 4 percent equity respectively. By 2003, the ownership pattern changed further as a result of a rights issue made by the company in 2002 when Conpetro Limited acquired 74.4 percent equity while the Nigerian public owned 25.5 percent (Conoil Plc, 2003, pp. 11 and 13).

In order to resume sustained growth after privatisation, it became imperative for the new management to improve the company's corporate profile and enhance productivity. To achieve this goal, the management designed a strategic development plan seeking to address and overcome the threats to the company and further enhance its strengths, which the new management identified as including widest spread, largest storage capacities in the industry, superior quality control delivery mechanism and technical support from Flightline (Conoil Plc, 2003).

Following its privatisation and “having fully settled the initial industrial relations issues that came with it” the company embarked on structural changes in 2000 aimed at preparing it for “future challenges” (NOLCHEM Plc, 2000, p. 6). The corporate restructuring exercise involved the under-listed measures:

- i. The decentralisation of the company’s operations through the creation of six semi-autonomous operating Area Business Management (with each Area Manager empowered to act like the Chief Executive of that area) and a Central Operating Unit acting as a clearing house for all commercial transactions. As part of the restructuring, a majority of the staff in the Head Office were deployed to the field;
- ii. In order to further strengthen its assets base, the company re-purchased its Head Office, the ‘Eagle House’ that it sold to a consortium of its employees before privatisation;
- iii. The company commenced the development of new range of lubricants which will meet international quality standards at competitive pricing;
- iv. In order to make its retail outlets “one-stop convenience centres”, the company took initiatives in Non-Fuel Retailing (NFR) which involved tying up with market leaders of relevant sectors to provide quality service and convenience at its retail outlets (Ibid);

In addition to the above-mentioned measures, the company formulated new market objectives, as follows:

- i. To be a marketer of only choice;
- ii. To provide market leadership in all its businesses- aviation, liquefied petroleum gas, lubricants, bitumen and retail shops;



- iii. To reclaim its customers in the international segment of the industry, and;
- iv. To provide effective and efficient services to customers (Ibid.).

In order to implement its strategic plan and reposition the company for sustained growth in the future, the new management identified two key issues for the attainment of its objectives. These were the need for constant product availability at all airfields to sustain an enlarged market share and the need to ensure wider spread in order to further increase its market share and dominance in the industry. The company also formulated a future plan, which included the under-listed aims:

- i. To employ new haulage companies for efficient and loss-free distribution of its products;
- ii. To emphasise quality control in all operations in order to present the company as a quality-conscious company and obtain International Standards Organisation (ISO) certification;
- iii. To ensure improved service delivery of aviation fuel by well-trained and motivated operators using good and efficient equipment, and;
- iv. To ensure superior customer relationship management through its gospel of “Customer Delight” (Ibid.).

The management also formulated a new mission statement- “To become the flagship of the downstream sector, providing products and services of international standard, ensuring robust returns for shareholders, with total commitment to excellent staff welfare and acceptable environmental practices, to become the leading marketer in the industry, aspiring to international standards, ensuring the best for our staff, customers and shareholders, with full commitment to the protection of the

environment” (Ibid.). This new mission statement was then translated into a vision spelling out the company’s obligations, as follows:

- i. To provide high quality products and services of international standards that give exceptional value for money at affordable prices to customers ;
- ii. To create enabling working environment that encourages hard work, rewards merit and guarantees job security to employees;
- iii. To achieve maximum yields on investments and make the company an investor’s delight to shareholders, and;
- iv. To be an exemplary corporate citizen and the pride of the nation (Ibid.).

In pursuant of its strategic vision, the company developed a new brand initiative, which includes a new name and corporate logo. In December 2002, the company changed its name to Conoil Plc in order “to reflect its new values, vision and mission and the renewed focus on sustainable operational standards that offer value to all stakeholders, including customers, shareholders, employees and the society at large” (Conoil Plc, 2003, p.1). Its logo was also changed from “the Eagle to an icon that represents the company’s continual commitment to acceptable practices in its overall business processes and to a bright and prosperous future” (Ibid.).

The name ‘Conoil Plc’ was adopted in December 2002 in view of what the company perceived as the restrictions and constraints inherent in the old name- ‘NOLCHEM Plc’ which the company considered inappropriate to its operations and aspirations. ‘Conoil’ symbolizes the company’s dynamism as a re-engineered corporate entity and is meant to express all that the company stands for: improved productivity, accountability, optimum efficiency, top quality customer service and increased shareholder value (Ibid.).



#### 5.4.1.3. Impact of restructuring

An imperative question to ask at this stage is: how does this post-privatisation strategic plan relate to the post-privatisation changes in trade unionism and employment relationship in Conoil Plc? In order to answer this question, it is necessary that we evaluate the impact of the strategic plan on industrial relations within the company based on the under-listed factors:

##### i. Impact on trade union bargaining power

As observed in section 5.3.1, the performance of Conoil Plc improved phenomenally after privatisation (see Table 32). Consequently, between 2000 and 2002, the company's ability to survive a temporary work stoppage improved, thereby strengthening its bargaining power relative to its domestic unions by enhancing its capacity to induce employees to opt for voluntary severance. As Table 33 indicates, by 2000 NUPENG's leverage, on the other hand, was declining. Both management and union representatives in Conoil Plc interviewed by this Author however, claimed that privatisation in no way affected the balance of bargaining power between both parties. This suggests that the unions exert a much higher level of leverage than empirical indicators of power suggest, despite the decline in the unions' membership size in the company.

##### ii. Impact on collective bargaining

As part of Conoil Plc's restructuring, its administration was decentralised. In each of the six regions introduced, the company established regional 'Administrative Focal Points' (AFPs) which co-ordinate the industrial relations and other administrative functions within their region of jurisdiction on behalf of the company's Head Office.

The AFPs are however, only empowered to interpret existing company policies to the staff while anything much more serious than that is referred to the Head Office for advice (Interview with the management's representative, 2002).

The restructuring exercise led to a number of problems in the area of collective bargaining. For instance, as part of the restructuring, almost half of Conoil Plc's workforce across all cadres was offered incentives to disengage voluntarily and the unions were invited to negotiate the management's redundancy proposal in 2001. There was strong resistance by NUPENG and PENGASSAN to what they regarded as the management's attempt to disengage the services of their members. According to Conoil Plc' Industrial Relations Manager, "the unions were fully aware that some people must leave but they were opposed to the conditions under which the people were leaving and that was what informed the severance package. We had some problems with the unions" (Interview, 2002).

At the end of the negotiations, the affected workers were paid 150 percent basic salary for every year worked (in addition to their other normal entitlement) as redundancy benefits (Interview with management and unions' representatives, 2002; BPE, 2001a).

As a result of the restructuring, collective bargaining in Conoil Plc assumed a rather volatile dimension hitherto unknown in its history. Union-management relations lost its traditional cordiality when the unions embarked on six weeks strike in 2001. A union representative notes that collective bargaining in Conoil Plc was;

"...rough initially, but I think we understand ourselves better now. But we are still not near where it used to be before privatisation in terms of working on mutual respectability. You know before privatisation, the intimacy with management was assumed to be cordial. We never had any cause to serve them any notice or go on



strike but we have done that now. So that is why I said we are moving closer and we hope we'll come back together in the nearest future" (Interview, 2002).

iii. Impact on trade union membership and finances

Conoil Plc's restructure into six regional AFPS in pursuant of its new strategic vision had employment implications. As a result, the company declared redundancy and implemented a voluntary severance package negotiated with the trade unions (Interviews with unions' and management's representatives, 2002). According to a representative of PENGASSAN, the union "lost some members due to the several schemes that were put in place" (Interview, 2002). This union representative claimed that PENGASSAN had 150 members (mainly permanent staff) in Conoil Plc before privatisation but had only 80 members after privatisation due to voluntary disengagement by workers who took advantage of the severance package negotiated by the unions and management in 2001 (Interview, 2002).

NUPENG's representative, on the other hand, claimed that the union had about 70 permanent members in Conoil Plc in 2002 as opposed to 164 in 1999 (Interview, 2002). Data obtained from Conoil Plc's 1999 collective agreement with NUPENG and the company's 2003 annual report indicate also that the number of permanent junior employees (mainly members of NUPENG) declined from 164 in 1999 (NUPENG/NOLCHEM Plc, 1999, p. 2) to 8 in 2002 and 3 junior employees by December 2003 (Conoil Plc, 2003 Annual Report and Accounts, p. 23).

Company data also substantiate this evidence. For instance, Conoil Plc's annual reports for various years indicate reductions in its total workforce. In 1999, the company employed 320 workers, comprised of 49 managerial, 206 senior and 65 junior staff (NOLCHEM Plc, 1999 Annual Report and Accounts, p. 21). After

privatisation in 2000, the workforce declined to 303 workers, comprised of 62 managerial, 183 senior and 58 junior staff (NOLCHEM Plc, Annual Report and Accounts 2000, p. 22). In 2002, the company's workforce was 225, comprised of 22 managerial, 195 senior, and 8 junior staff. By 2003, the number increased to 264 workers, comprised of 20 managerial, 241 senior and 3 junior staff (Conoil Plc, 2003 Annual Report and Accounts, p. 23). The membership size of NUPENG and PENGASSAN declined in proportion to reductions in the company's total workforce.

Between 1999 and 2003, the number of the company's managerial and senior staff (mainly PENGASSAN members) increased while the number of junior staff (NUPENG members) declined. Consequently, NUPENG's revenue from the company declined while revenue generated by PENGASSAN from the company increased, suggesting a variation in the membership size and financial fortunes of both unions, related to the post-privatisation skills requirement of the new management.

#### iv. Impact on wages

Wages of the employees that survived the company's redundancy exercise increased following the restructuring. As observed earlier in section 5.3.4 of this chapter, available data on the company's expenditure on wages and salaries between 1999 and 2003 substantiate this evidence. The data indicate that the employees' wages increased as evidenced by the increase in the ratio of the company's staff to payroll cost between 1999 and 2003. As noted in section 5.3.4, although the number of employees during the period declined, the company's aggregate payroll cost



increased substantially (see Conoil Plc, 2003 Annual Report and Accounts, p. 23, for instance).

v. Impact on grievance/disciplinary procedures

There is no evidence of a change in the company's grievance and disciplinary procedures after the restructuring. Union grievances recorded after privatisation however, increased. As already noted, the company experienced the first industrial action by its domestic unions during the restructuring exercise. NUBIFIE and ASSBIFI also embarked on 30 days work stoppage over unpaid salaries in 2001 (see Table 34). In May 2002, PENGASSAN gave the management seven days ultimatum to resolve all disagreement with workers over conditions of service, failing which the union threatened to embark on industrial action (Ehigiator 2002, cited in <http://allafrica.com/stories/200205230660.html>).

#### 5.4.2. Conclusion

In this section, an attempt was made to identify those elements of change in trade unionism and employment relations that could be attributed to privatisation, by relating them to specific strategic proposals from petroleum employers for restructuring Conoil Plc. As argued in the preceding paragraphs, privatisation resulted in a decline in trade union membership size and finances in Conoil Plc, but had very little impact on union bargaining power. Privatisation also led to changes in the nature of collective bargaining in the company, but not in union structures. Corporate restructuring in Conoil Plc, also resulted in industrial actions by NUPENG and PENGASSAN hitherto not experienced by the company's management, while wages in the company increased after privatisation.

A number of questions arise from the foregoing conclusion, as follows: Can all the observed post-privatisation changes be attributed to privatisation alone? Are there other factors responsible for these changes and in what ways are these other factors accountable for the observed changes? An attempt will be made in section 5.5 to answer these questions.

## 5.5. An Analysis Of Changes That Appear To Be Related To Factors Other Than Privatisation

In this section, an attempt will be made to identify changes in trade unionism and employment relationship in Conoil Plc that appear to be related to factors other than privatisation, based on the under-listed factors:

### 5.5.1. The balance of bargaining power

In sections 5.3.6 and 5.4.1.3 of this chapter, it was concluded that privatisation did not alter the balance of power between petroleum employers and the unions, although union membership size declined in Conoil Plc while company performance improved. The mediating factors appear to be the strong political leverage derived by the unions from the centrality of the industry to Nigeria's economy and its importance to global oil market stability, the unions' militancy and their mobilising and strike capacities.

There is no evidence to suggest that changes in other empirical measures of bargaining power like union density, alternative wage for union members and macro-level vacancy/unemployment ratio (which predate privatisation) affected the post-privatisation bargaining power of unions and employers in the company or the industry in any substantial manner.



### 5.5.2. Collective bargaining

Changes observed in collective bargaining in Conoil Plc are entirely privatisation-related. For instance, the prevalence of casual and contract employment in Conoil Plc before privatisation did not result in major incidents in the area of collective bargaining. On the other hand, privatisation-related restructuring increased industrial actions by NUPENG and PENGASSAN in Conoil Plc, as demonstrated in section 5.2.3.2 of this chapter.

### 5.5.3. Union membership size and finances

There is (at least macro level) evidence to suggest that factors other than privatisation contributed to the decline in NUBIFIE/ASSBIFI membership size and finances before privatisation. As earlier noted in this chapter, declines in national vacancy to unemployment ratio, industrial capacity utilisation and SAP contributed to the decline in workforce levels in some oil SOEs before privatisation. After privatisation, there were cases of workforce reductions in a number of privately-owned oil companies (which were unrelated to privatisation) that equally contributed to the decline in the macro level membership size of NUPENG and PENGASSAN.

For instance, Shell Petroleum Company disengaged the services of 1,500 workers (about 30 percent of its workforce) in 2004 (Africa Masterweb, 2004, cited in <http://www.africamasterweb.com/NewsReport6.html>). In Mobil Producing Nigeria, as at 2000, not a single junior employee was a member of NUPENG as opposed to 81 permanent junior employees who were NUPENG members in 1991 (Onyeonoru, 2003, p. 9).

In the yet-to-be privatised and privatised SOEs in the industry however, a majority of the workforce reductions and consequently, reductions in the unions' membership size, resulted from privatisation-related restructuring. In 2003 for example, NNPC laid off 1,388 workers as part of its pre-privatisation restructuring (Komolafe, Ugwuanyi and Achonu, 2003, cited in <http://www.vanguardngr.com/articles/2002/cover/f231122003.html>).

#### 5.5.4. Wages

Generally, increases in wages in Nigeria's petroleum industry cannot be ascribed to privatisation alone since union wage demands in the industry and the country at large are premised on a combination of factors like cost of living, consumer price indices, inflation, profits and productivity levels and increases in the price of petroleum products, etc. Consumer prices and inflation rate, for instance, were rising after privatisation in the industry (see Tables 26 and 27). Although the rise in these indicators was unrelated to privatisation, wages increased in the country generally to reflect the rising cost of living (see Table 16). On the other hand however, wage increases in Conoil Plc after privatisation resulted from privatisation-related restructuring.

#### 5.5.5. Grievance/disciplinary procedures

Not all of the incidents of post-privatisation grievance and disputes recorded in Nigeria's petroleum industry were directly related to privatisation. As Table 34 indicates, other factors contributed to the macro level increase in the incidents of strikes and other forms of industrial actions after privatisation. A majority of these occurred in companies that were not even involved in privatisation. With specific



reference to Conoil Plc and petroleum SOEs slated for privatisation however, the increase in grievances in the period under review are entirely related to privatisation, as evidence adduced in section 5.3.1.5 indicates. NUPENG and PENGASSAN, for example, embarked on one-day strike in NNPC on 23 July 2002 in opposition to the federal government's privatisation proposal (Oduniyi, 2004, cited in <http://newsbiafranigeriaworld.com/archive/2004/mar/27/0072.html>).

#### 5.5.6. Conclusion

It is evident from sections 5.4 and 5.5 that nothing in this chapter links other factors to the changes observed in industrial relations in privatised oil SOEs like Conoil Plc. On the contrary, evidence from this study indicates a direct relationship between the observed changes and privatisation-related restructuring. It is pertinent at this stage therefore, to assess the overall impact of privatisation by way of conclusion.

#### 5.6. Assessing The Overall Impact Of Privatisation

In this chapter, an attempt was made to demonstrate the predictive impact of privatisation on trade unions and employment relationship in privatised SOEs in Nigeria's petroleum industry using the Conoil Plc as a case study. Evidence from this chapter indicates both elements of change and continuity. Although union membership and finances at the micro level of the industry declined as a direct result of privatisation, union bargaining power was largely unaffected due to continuity in NUPENG and PENGASSAN's political leverage, cohesion and alliance, mobilising and strike capacities, as well as the sector's centrality to Nigeria's economy and its importance to global oil market stability.

With oil as the mainstay of Nigeria's economy, any disruption of the production

chain is avoided at all cost by employers and the government. In the case of the oil industry management, the bottom line remains a commitment to profit making. Hence, management consciously avoid bargaining strategies capable of inducing work stoppages, reducing their companies' profit margin, Nigeria's oil revenue and disrupting international oil market stability.

There are however, changes in the area of collective bargaining despite elements of continuity in the labour laws regulating the process. For instance, privatisation benefited the unions and their members with regard to the negotiation of redundancy benefits. Despite privatisation however, union structures were unaffected and the trade unions remain very much relevant in the sector's industrial relations. No case of complete de-unionisation was recorded in the petroleum industry after privatisation, unlike the case in the finance industry. Privatisation however, resulted in collective bargaining in the privatised petroleum SOEs assuming a volatile dimension hitherto unknown in some of the SOEs, like Conoil Plc for example.

Union membership size and density also declined. In Conoil Plc, for instance, a reduction in workforce size and consequently, the unions' membership size and finances was observed. A variation in the impact of privatisation on the unions' membership size and revenue directly related to the skills requirement of the new management after privatisation was also observed. Privatisation also precipitated a change in NUPENG and PENGASSAN's recruitment strategies, with the unions focusing more on unionising casual and contract workers. The decline in union membership size and finances in privatised SOEs like Conoil Plc did not however, lead to a moderation of the unions' militancy. Evidence from this study indicates privation-related increases in wages, strikes and other forms of trade union actions in privatised oil SOEs like Conoil Plc.



It is evident from this chapter therefore that employment relationship in the privatised SOEs in Nigeria's petroleum industry like Conoil Plc changed due to privatisation, although not to the same degree as in the case of the finance industry. This suggests a variation in the privatisation experiences of both industries and a need to compare these similarities and differences in chapter six, in relation to the two hypothesis discussed in chapter one.

## CHAPTER SIX- THE IMPACT OF PRIVATISATION: A COMPARARATIVE ANALYSIS OF THE FINANCE AND PETROLEUM CASE STUDIES AND CONCLUSION

### 6.1. Introduction

In this concluding chapter, the impact of privatisation on trade unions and employment relationship in Nigeria's finance and petroleum industries will be compared. The aim here is to put the two case studies side by side in order to tease out the under-listed:

- i. The common features of privatisation and its consequences for trade unions and employment relations in the two sectors, and,
- ii. The differences in the impact of privatisation between the two sectors that will enable us deduce the effects of sector, economic centrality, nature of labour force, balance of bargaining power, etc, as factors mediating the impact of privatisation.

The chapter is informed by the theoretical analysis of privatisation and its industrial relations consequences (as developed in chapter one) which look at the analytical questions of why privatisation (defined as change of ownership and control from public to private) should, in principle, make a difference to industrial relations behaviour, what the predicted direction of that change is and why. The conclusions of chapter one (as represented by the two hypotheses deduced from the privatisation literature) will be tested against the data derived from chapters four and five and presented in this chapter, first to see whether change has indeed occurred in the predicted directions (in both cases or in one or not at all) and secondly, to examine how the privatisation theory can be refined/improved to take



account of sectoral and other differences as revealed by the two case studies. Thereafter, the findings will be discussed by way of conclusion. For the purpose of our analysis, it is important that we recall the conclusions of the privatisation literature, via a synopsis of the theoretical consequences of privatisation.

## 6.2. The theoretical consequences of privatisation

The theoretical consequences of privatisation summarised below are drawn from chapter one of this study. As noted in that chapter, these include consequences arising from change of ownership and control, product market deregulation, corporate restructuring as well as changes in industrial relations and working conditions. Privatisation also has implications for trade union structures, membership strength and finances. According to the literature, privatisation replaces public employees' erstwhile civil servant status (characterised by life tenure) with an employment contract, replaces the public sector pay structure (linked to career paths and formal qualifications, etc.) with private sector pay structure and promotes the shift to a new professional requirement with respect to the skills and qualifications of staff, while emphasising commercial skills and strong customer-orientation (see Zanker, 2001, for instance).

Two different perspectives on the impact of privatisation were identified in chapter one. According to Cook and Murphy (2002) the first perspective, posited by critics of privatisation, argues that the policy is anti-labour unions and most, if not, all workers, shrinks the public sector, results in layoffs and downsizing and erodes workers' protections or their removal from the labour codes, increases the repression of workers and weakens trade unions in addition to a host of other specific problems like the growing abuses arising from the weakening and non-

monitoring of labour standards. The second perspective, on the other hand, argues that privatisation is a solution to public sector inefficiencies, ends wasteful government subsidies and stimulates economic recovery and growth (Ibid.).

The privatisation literature concludes also that privatisation involves the metamorphosis of erstwhile public enterprises from the public to the private sector, with major effects on industrial relations and working conditions. According to Ferner and Colling (1991, p. 391) for instance, there are three consequences of privatisation for the industrial relations of former SOEs as follows:

- i. The ending of direct political control
- ii. The creation of a regulatory framework , and,
- iii. The replacement of a ‘political’ orientation by a ‘shareholder’ orientation.

According to these authors, the new competitive post-privatisation environment in erstwhile SOEs results in considerable diversity in both the speed and scope with which management pursues innovative policies, with some privatised SOEs experiencing massive cutback in employment, deteriorating pay and conditions and a worsening industrial relations climate, which are legitimised on grounds of the expectations of shareholders’ and investors’ interests.

Additionally, the privatisation literature concludes that the increasing substitution of contract labour for direct labour in many privatised enterprises reduces union membership and control in the workplace (see O’Connell Davidson 1993, for instance). According to the literature, the introduction of human resource management practices (e.g. employee involvement schemes, team working/briefing, total quality management, etc.) in most privatised enterprises



results in an intentional bypassing of trade unions as channels for communicating with employees, with management in some of these enterprises considering unions as irrelevant to the success of organisational strategy (See Taylor, 1994, for instance).

The literature also concludes that privatisation results in substantial alteration of the organisation of work as well as tacit agreements reached over the wage effort bargain by facilitating changes to payments and work allocation by management that pursue flexibility through deskilling, casualising work, or ‘upskilling’ jobs and initiating integrationist labour policies. Moreover, under the canopy of ‘flexibility’ government and management in privatised enterprises engineer the growth of part-time employment, changes in industrial relations practices regarding contracts and pay determination, the application of new technologies, the removal of statutory regulations governing the labour market and the use of legislation (amongst other measures) in order to reduce trade union powers (see Blyton and Morris, 1991, and O’Connell Davidson, 1993, for instance).

The privatisation literature concludes that in most privatised SOEs, problems arise over the under-listed important dimensions of the employment relationship:

- i. The balance of bargaining power as it affects trade unions
- ii. Union recognition (or de-recognition)
- iii. Wage negotiations
- iv. Downsizing
- v. New disciplinary and grievance procedures

- vi. Changes in the nature and process of collective bargaining (see Ferner and Colling 1991, O'Connell Davidson 1993, Ogden 1994, and Taylor 1994, for instance) and,
- vii. Structural changes- divestment, diversification, outsourcing, sub-contracting, etc., (see O'Connell Davidson 1993, Parry et al, 1997, Ogden 1994, and Wallis et al, 2000, for instance).

It is noteworthy however, that although downsizing and new grievance/disciplinary procedures are employment consequences they may not necessarily constitute trade union consequences of privatisation. The mere fact that a union has fewer members, for instance, does not mean it is a weaker union. As the privatisation literature suggests, the hypothetical interaction between privatisation and industrial relations are mediated through issues such as change in ownership and control, structure as well as the nature of the product market competition. The literature suggests however, that such macro-micro interactions are by no means universal but are rather mediated by a number of environmental, organisational and trade union factors. As noted in chapter one, this theory constitutes the core argument for this thesis. Essentially, this theory suggests that factors other than privatisation might also be responsible for producing the micro level changes observable in the industrial relations of privatised SOEs (see Sheshinski and Lopez-Calva, 1999, for instance).

It is evident from the privatisation literature therefore, that there is no consensus on the nature of privatisation's impact on trade unions and industrial relations. As Ferner and Colling (1991) note, the predictive changes in the industrial relations of privatised enterprises are not universal, since some privatised companies



experience stormy industrial relations while others have a peaceful time negotiating changes in work practices and cuts in employment. Zanker (2001) notes also that the impact of privatisation and (liberalisation measures) on employees cannot be attributed to any single policy since each policy has an inter-dependent effect on others. Moreover, according to Ferner and Colling (1991) changes in industrial relations are not necessarily confined to privatised enterprises and may not necessarily be a product of privatisation. Changes in the overall environment of trade unions are also by no means universal in their nature and implications since diverse environmental factors impact upon trade unions.

As observed in chapter one, certain questions emerge from the privatisation theory that constitute the core arguments for this thesis and which the current study seeks to answer, as follows:

1. Is there any obvious connection in the theory on privatisation between the macro-level change in ownership and control, structure of firm and the nature of the product market competition on the one hand and the micro-level changes in industrial relations on the other?
2. Are there other factors responsible for the micro-level changes in industrial relations observable in privatised enterprises other than privatisation?

As also noted chapter one, although these questions are rooted in the implications of privatisation for employment relationship as defined by Western literature, they are relevant to an understanding of Nigeria's experience and constitute the theoretical and analytical reference points for the current study. Two hypotheses (derived from the conclusions of the privatisation literature and theory (discussed

in chapter one) arise from the above-mentioned questions which the current study seeks to explore, as follows:

1. The employment relationship changes in its expression and management in privatised enterprises as a consequence of the change in ownership and control, structure and product market competition arising from privatisation; and,
2. The employment relationship in privatised enterprises changes, not necessarily as a consequence of privatisation, but as a consequence of changes in managerial/corporate strategies, national and firm-level industrial relations policies and other environmental factors not related to privatisation.

As noted in chapter one, the current study seeks to test two sets of concepts arising from the first hypothesis. The first set of concepts, represented by the term ‘privatisation’, includes changes in:

- i. Ownership
- ii. Control
- iii. Structure of the firm; and,
- iv. Product market competition.

The second set of concepts, represented by the term ‘employment relationship’, includes changes in:

- i. The balance of power between management and trade unions
- ii. Collective bargaining
- iii. Union membership size and finances
- iv. Wages; and,



v. Grievance and disciplinary procedures

There are equally two sets of concepts embedded in the second hypothesis which the current study seeks to translate into operational terms, as follows:

- i. Changes in corporate and management strategies, the firm's industrial relations policies and other environmental factors not related to privatisation; and,
- ii. Changes in 'employment relationship' as defined above.

In order to test the two hypotheses that constitute the core arguments of this study, these sets of concepts were translated into operational terms via a critical evaluation of the impact of privatisation on Nigeria's finance and petroleum industries in chapters four and five. As evidenced by the findings of those two chapters, both industries experienced varying degrees of change in trade unionism and employment relationship as a result of privatisation, suggesting the need for a comparison.

In this chapter (six) therefore, the conclusions of chapters four and five will be compared with a view toward testing the two hypotheses against the data presented in the comparison. As earlier noted, the aim here is to see whether change has indeed occurred in the predicted directions (in both cases or in one or not at all) and secondly, to examine how the privatisation theory can be refined/improved to take account of sectoral and other differences as revealed by the two case studies.

At this stage, it is important to reiterate the fact that not all the concepts identified above as arising from the two hypothesis are representative of the term 'employment relationship', since as argued earlier, downsizing and

grievance/disciplinary procedures are employment consequences but may not necessarily be trade union consequences of privatisation. For any of the concept to be taken as representative of the term 'employment relationship' therefore, it must have both employment and trade union consequences. Consequently, some of the concepts used in the case studies like grievance procedure and union recognition will not be employed here as basis for comparison. This is because despite the existence of evidence to investigate the impact of privatisation on these concepts, they are not central to an understanding of its impact on trade unions and employment relationship in privatised SOEs.

Moreover, the focus of this thesis is not the general consequences of privatisation per se but its employment relations consequences (which are only relevant if they have both employment and trade union consequences) as represented by changes in bargaining power, collective bargaining and union membership size and finances. The latter set of concepts are the most significant concepts on which the richest and most reliable data are available in the current study and constitute the basis for the comparison of the impact of privatisation in the finance and petroleum industries conducted in the next section.

### 6.3. Impact of Privatisation: Finance versus Petroleum Industries

In line with Arrowsmith's (2003) theory it is necessary, in order to compare and contrast the impact of privatisation in the two industries effectively, to conduct a synopsis of their common and differentiating features in terms of the nature of their privatisation, the nature of the SOEs that were privatised, the nature of the sector in which they operate, the protection they enjoy and the nature of their



product market competition etc. These factors will be used to construct a plausible account of the common features and differences in the impact of privatisation in both industries. The need for a synopsis arises from the fact that despite the indication by the privatisation literature that there is a single meaning to the nature of privatisation (i.e. the transfer of ownership and control of state assets to the private sector) the precise way in which this is achieved varies from sector to sector and from one country to another.

The aim therefore, is to elicit similarities in privatisation's impact in both industries arising from a combination of trade union history, their political and sectoral context as well as strategic choice, while drawing attention to any key features that differentiates the two sectors via a comparative overview of both industries. However, mindful of the fact that the study so far has demonstrated the impact of privatisation, it is on the basis of the differences between the two sectors that we can deduce the nature of such impact.

#### 6.3.1. The finance versus petroleum industries: a comparative overview

The distinguishing features and similarities in the privatisation experiences of Nigeria's finance and petroleum industries identified in this section will be used to clearly explain the rest of this chapter. It is evident from the findings of chapters four and five that four similarities are identifiable in the privatisation experiences of both industrial sectors, as follows:

- i. Industrial relations in both sectors is regulated by the same set of labour laws. In both sectors, the unionisation of junior workers is statutorily compulsory but voluntary in the case of senior employees, excluding top management.

- ii. Prior to their privatisation, SOEs in both industries were characterised by an ownership pattern in which government owned a majority of the equity, with minority equity owned by foreign interests and the Nigerian public.
- iii. As noted in chapters one, four and five, similar privatisation methods were employed in both industries, i.e. through the divestment of government's majority equity holdings to core investors, with employees and the Nigerian public allotted the remaining shares.
- iv. In both industries, government did not put any regulatory regime in place to oversee the post-privatisation conduct of the companies that emerged.

Despite the two industries' common experiences of privatisation however, there are distinguishing characteristics which account for variations in the post-privatisation industrial relations strategies adopted by management in the SOEs that were privatised in each industry, as follows:

- i. The two industries (and their SOEs) differ markedly in terms of their economic centrality to Nigeria. As earlier observed in chapter one, the nature of the industry/sector is an important variable for determining bargaining power. As also noted in chapter five, Nigeria depends on the oil industry for most of her revenue. Although the finance industry is important to the nation's economy, it is not accorded the same stature as the oil industry which is also of strategic relevance to global oil market stability. Consequently, government and employers' responses to industrial relations matters in both industries (and the political leverage of their respective unions) differ. While the petroleum industry unions derive strong political leverage from the centrality of oil to Nigeria's economic fortunes and the implications of any disruptions in the country's oil production and supply for



global oil market stability and price, the finance sector unions do not benefit from such economic advantage.

- ii. The petroleum industry is characterised by high level of regulation by government, decentralised collective bargaining and highly cohesive trade unions that are the strongest and richest unions in Nigeria. The finance industry, on the other hand, is characterised by low regulation, centralised collective bargaining and trade unions (particularly NUBIFIE) which have become weakened by a combination of intra-union crisis and increasing competition from de-unionised 'New Generation' financial institutions that offer workers higher remuneration in exchange for non-unionisation.
- iii. There are marked differences in the power relationship between unions and employers in both industries. While the balance of power in the finance industry favours the employers (represented by management), in the petroleum industry on the other hand, the balance of power favours the unions.
- iv. There are marked differences in the ownership and control of the product markets in both industries after privatisation. In the finance industry, the post-privatisation product market is mediated by domestic market forces. Although the CBN and NDIC regulate the market to some extent, the government does not own the product- customers deposits and insurance premiums. In the petroleum industry, on the other hand, the government controls and owns the product market- oil deposits and gas reserves- one hundred percent after privatisation, while the product market is mediated globally.
- v. The two industries differ markedly in terms of the nature of competition faced by private companies and SOEs operating in each of them. While a combination of liberalisation and privatisation resulted in an increase in the competition faced by

privatised SOEs in the finance industry, the nature of competition in the oil industry remains largely unchanged by privatisation.

The question at this stage therefore, is: How do these similarities and differences in the privatisation experiences of both industries relate to the rest of the chapter? In the next section an attempt will be made to answer this question by comparatively examining the impact of privatisation in both industries.

### 6.3.2. The impact of privatisation: similarities and differences

As earlier noted in this chapter, the aim of this section is two-fold. The first is to put the finance and petroleum case studies side by side in order to tease out the common features of privatisation and its consequences for trade unions and employment relationship in both industries. The second aim is to tease out the differences in the impact of privatisation in the two sectors that will enable us deduce the effects of sector, economic centrality, nature of labour force, balance of bargaining power, etc, as factors mediating privatisation's impact.

The analysis in this section will be informed by the conclusions of the privatisation literature as represented by the study's two hypotheses, which will be tested against the data presented in this section, first to see whether change has indeed occurred in the predicted directions (in both cases or in one or not at all) and secondly, to examine how the theory can be refined/improved to take account of sectoral and other differences as revealed by the two case studies, based on the analytical concepts earlier identified as having employment relations and trade union consequences - the balance of bargaining power, collective bargaining, and trade union membership and finances, as follows:



#### 6.3.2.1. Impact on the balance of bargaining power

There is evidence from chapter four to the effect that trade union bargaining power in Nigeria's finance industry declined after privatisation, with the balance of bargaining power tilting in favour of employers. Although the decline in union bargaining power in the privatised finance sector SOEs preceded privatisation, there is evidence from FBN Plc and UNIC Insurance Plc to indicate that it was intensified to a significant degree by privatisation. In the petroleum industry, on the other hand, evidence from chapter five indicates that privatisation did not affect union bargaining power significantly. The oil industry unions continue to exert a considerable amount of leverage in their negotiations with employers and the government even after privatisation, due largely to the industry's economic centrality to Nigeria and its global importance.

Two dimensions of power help to explain this trend. Although bargaining power as measured by company performance and union-specific factors changed in the privatised petroleum SOEs, the methods adopted by the unions changed as well, as evidenced by the change in their redundancy and membership recruitment strategies for instance. In the finance industry, on the other hand, although NUBIFIE/ASSBIFI also changed their membership recruitment strategies, they did not benefit from the kind of political advantage their oil counterparts have. Moreover, the finance unions appear stronger in the area of negotiating post-privatisation redundancy benefits and wage increases than in preventing redundancy, unlike their oil industry counterparts that appear strong in all respects.

This suggests a variation in the power relationship between unions and employers in the two industries based on sector-specific factors like the nature of the industry, the bargaining agenda and the history (or reputation) of the trade unions, etc, identified in chapter one (see Sheshinski and Lopez-Calva, 1999, for instance) as well as economic centrality and the political context of bargaining in each sector. For instance, empirical data from this study suggests that union bargaining power declined in SOEs privatised in both industries due to the reduction in union membership size and density. Despite this empirical evidence, there is evidence from this study to suggest that, unlike their finance industry counterparts, the petroleum industry unions continue to exert considerable influence on both employers and the government. As noted earlier, union membership decline does not necessarily translate into loss of bargaining power, since a combination of factors determine the balance of power between unions and employers.

In view of the fact that both sectors share similar experiences of privatisation, the variation in union bargaining power between both sectors indicated by the evidence from this study can only be explained in terms of their differences, i.e. the differences in the sectoral contexts in which the unions operate and the internal dynamics of the unions as well. As evident from chapters four and five, union cohesion is higher in the petroleum industry than it is in the finance industry. As also noted in chapter one, bargaining power is a reflection of the internal dynamics of a union as much as it is a function of its relationship with relevant employers (Rainsberger, 2003). Moreover, where a trade union is cohesive, aware of its potential bargaining power, is willing to press home its advantage, and has a history of having done so in the past, it tends to be in a relatively strong position in its negotiations with employers (Gennard and Judge, 1997).



NUPENG/PENGASSAN are more cohesive than their finance counterparts, more willing to press home their political advantage and have a history of having done so in the past even in the face of Nigeria's most extreme military dictatorships.

The petroleum industry unions exploit the industry's unique sectoral factors (economic, political and global) to their advantage and are therefore, able to exert tremendous leverage in their negotiations with employers and government that are often very much unwilling to risk work stoppage in the industry, no matter how temporary. The finance industry, on the other hand, is not of equal economic importance to the country and the global financial market, is highly deregulated and the sector's unions are poorer than their petroleum counterparts. The industry's product market is also entirely subject to market forces and not government-controlled as in the case of the oil industry.

As noted in chapter one and in section 6.2 above, privatisation affects union bargaining power in a number of ways. Despite variations in trade unions' experiences, privatisation generally has implications for the organisation and solidarity of labour movements and for the forms of organization that best protect workers (see Cook and Murphy, 2002 and Keat, 2002 for instance). As revealed in this section however, the degree of such impact depends on sector and union-specific factors. As noted in chapter one (Smith, 1996, for instance) and demonstrated in chapters four and five, workers' bargaining power depends, amongst other factors, on features specific to the main union(s) involved in bargaining such as membership size, reputation, financial strength or information.

#### 6.3.2.2. Impact on collective bargaining

There is no evidence from this study to suggest changes in the legal framework of collective bargaining in Nigeria's finance industry or any significant change in NUBIFIE/ASSBIFI's structures as a result of privatisation. For one thing, collective bargaining in the industry after privatisation remains regulated by the country's labour laws. The petroleum industry shares some similarities with the finance industry as far as the impact of privatisation on collective bargaining is concerned, although there are also differences. Like in the finance industry, the legal framework of collective bargaining in the petroleum industry and NUPENG/PENGASSAN's structures have not been modified as a result of privatisation. Trade unions in the petroleum industry, like their finance counterparts, also remain relevant in the industrial relations process despite privatisation, but to a much higher degree than their finance industry counterparts. The finance unions still prefer centralised bargaining, while the petroleum industry's unions still bargain with individual employers at the company level.

Another major element of change introduced by privatisation that is common to both industries is the accentuation of private sector management styles in the privatised SOEs through a refocusing of corporate strategy on profits and shareholders' interests. Like in the case of some privatised SOEs in Europe, privatisation brought the pressure of competition and the importance of economic performance, cost-effectiveness, flexibility and profitability to the forefront of corporate strategy in privatised SOEs in both industries and made them part of the new context that both management and the unions have to deal with (Pedersini 2000). Consequently, unlike the situation under government ownership, profit



making replaced political considerations as the primary objectives of the new management of the privatised SOEs.

Privatisation also benefited trade unions in both industries in the area of collective bargaining as evidenced by the fact that they now negotiate redundancy benefits beyond the terms of existing collective agreements on behalf of their members slated for privatisation-related redundancy in the new companies that emerged. For instance, in the petroleum industry, NUPENG/PENGASSAN signed juicy severance packages with the management of Conoil Plc after privatisation while NUBIFIE/ASSBIFI signed similar severance packages with the management of UNIC Insurance Plc.

There is evidence from this study however, to suggest that the percentage of workers covered by collective agreements in the finance industry has reduced to a much higher degree than the case in the petroleum industry. As a result of the phenomenal, privatisation-related decline in union membership size and revenue in the finance industry, collective bargaining (which was the norm in the industry) is gradually being replaced by individual employment contracts. In some privatised SOEs, collective bargaining has been completely replaced by individualism, as observed in chapter four for example, in the case of First Bank Plc following total de-unionisation of its workforce after privatisation. In UNIC Insurance Plc, collective bargaining only covers a minority of employees who remain unionised after its privatisation and restructuring.

On the other hand, the impact of privatisation on collective bargaining in the petroleum industry differs in some other respects from the case of the finance

industry. For instance, although evidence from chapter five suggests that the percentage of workers covered by collective agreements in the petroleum industry declined as a result of privatisation, collective bargaining remains the accepted mode of regulating the employment relationship in the industry's privatised SOEs. Moreover, unlike in the finance sector where the incidence of casualisation and contract employment rose as a result of privatisation, evidence from this study indicates a gradual reversal of the trend in the petroleum industry, largely as a result of the concerted action by the industry's powerful unions.

Unlike their finance industry counterparts, NUPENG and PENGASSAN now resort to proactive actions in order to secure guarantees for their members' employment even in oil SOEs earmarked for privatisation but not yet privatised as in the case of NNPC. Before the privatisation of Conoil Plc, both unions were able to secure a guarantee from the BPE that the core investor will not be allowed by government to lay off workers during the first six months of transition following privatisation. The BPE also promised to make funds available for the workers to purchase 10 percent of the company's shares set aside for workers by the government (BPE, 2001a).

There are also no cases of total de-unionisation or the mass resignation by union members (experienced by NUBIFIE/ASSBIFI in FBN Plc) in the privatised petroleum sector SOEs. Additionally, unlike the case in the finance industry where there is a move from centralised to decentralised bargaining by employers in the privatised SOEs (and in some cases like FBN Plc, its total elimination) after privatisation, collective bargaining in the petroleum industry remains decentralised.



Overall, despite privatisation, relations between petroleum unions and employers remain relatively cordial, unlike the case in the finance sector where post-privatisation union-management relations became rather volatile, largely as a result of the greater impact of post-privatisation restructuring on NUBIFIE/ASSBIFI and their members. As a result of increasing job insecurity in the privatised finance sector SOEs, for instance, these unions have become increasingly confrontational with the new management in the sector in order to counter the threat of privatisation-related outsourcing, de-unionisation and casualisation of employment to their members and their finances. In the petroleum sector, on the other hand, the unions successfully signed an agreement with employers to regularise the appointments of contract workers.

Privatisation led to a re-evaluation of trade unions' bargaining strategies in the finance industry, with the finance unions now more pragmatic in their approach to dialogue with employers. As observed in chapter four for instance, NUBIFIE and ASSBIFI now prefer dialogue to strikes and other forms of industrial actions because of their reduced membership size and bargaining power. In the petroleum industry, on the other hand, NUPENG and PENGASSAN remain very militant despite privatisation largely because their strong political leverage and bargaining power remain largely unaffected by privatisation.

In view of the similarity in the privatisation experiences of both industries, the differences observed in the impact of privatisation on collective bargaining between both industries can only be adduced to the differences in their environmental, economic and trade unions contexts discussed earlier on. These differences made it easier for finance industry employers (strengthened by their

companies' post-privatisation performance and restructuring) to embark on measures like total de-unionisation (as in the case of First Bank Plc) and outsourcing and contract employment (as in the case of UNIC Insurance Plc) with very little or no resistance from NUBIFIE and ASSBIFI. In the petroleum industry, on the other hand, the centrality of oil to Nigeria's economic survival and its impact on global oil market stability, NUPENG and PENGASSAN's strong mobilising and strike capacities, their history as radical unions that do not hesitate in deploying their strike arsenal and the political leverage the two unions derive from the foregoing factors, served as moderating influences on oil industry employers, despite the fact that they were equally strengthened by phenomenal improvements in their company's post-privatisation performance.

#### 6.3.2.3. Impact on union membership size and finances

There is evidence from chapters four and five to the effect that privatisation resulted in a decline in the membership size of unions in Nigeria's finance and petroleum industries. In the finance industry, privatisation resulted in a labour force comprised largely of non-unionised workers, a reduction in union density and collective bargaining coverage both at the macro and micro levels of the industry, although the impact varied for NUBIFIE and ASSBIFI. As noted in chapter four, NUBIFIE lost about seventy-five percent of its membership while ASSBIFI lost 44 percent of its membership within ten years of the implementation of privatisation in the industry. In some domestic branches, NUBIFIE and ASSBIFI were completely eliminated, as was the case in First Bank Plc, Savannah Bank of Nigeria Plc, and United Bank of Africa Plc.



In the petroleum industry, there is some evidence of similarity with the finance sector with respect to the impact of privatisation on union membership size. As noted in chapter five, for example, the membership size of NUPENG declined from 7,536 in 1999 to 6,266 workers in 2000 as a result of privatisation (Table 19). In the case of PENGASSAN, membership size declined from 19,700 workers before privatisation (Interview, 2002) to 14,000 workers in 2000 (PENGASSAN Info, vol.1, No. 1, December 2000, p. 6).

As noted in chapters four and five, privatisation precipitated a change in trade unions' membership recruitment strategies in both industries, with the trade unions becoming more aggressive in organising new members, focussing more on the unionisation of casual and contract employees. Trade unions in the finance industry, for instance, now approach workers to join them rather than rely on statutory guarantees of automatic union membership and also resort to picketing the premises of employers who deny workers the right to unionise. Similarly, unions in the petroleum industry are now more pro-active in their membership recruitment drive after privatisation. For example, in 2001, NUPENG resolved to carry out political actions against casualisation every year with effect from June 2001 and as a result, was able to unionise 3000 new members (Interview with the union's representative, 2002).

There are however, differences in the experiences of finance and petroleum sector unions with respect to privatisation's impact on membership size. The membership impact of privatisation appears worse in the finance industry both in terms of numbers and the nature of the emerging labour force. Despite fluctuations in the membership of NUPENG and PENGASSAN, for instance, they still control an

army of skilled workers that cannot be replaced at short notice in the event of a strike given the nature of the industry and therefore still possess the capacity to organise damaging strikes against employers even after privatisation. In the finance industry, on the other hand, NUBIFIE and ASSBIFI's strike capacities have become substantially reduced by the massive decline in their membership size and density. Moreover, unlike their petroleum industry counterparts, members of the finance unions can be replaced much more easily from the ranks of contract and outsourced employees at short notice by employers in the event of work stoppage.

The impact of privatisation on union finances in both industries are similar, although union revenues in both industries are not equally affected. As observed in chapters four and five, union revenue in the finance industry has been more adversely affected by privatisation than the case in the petroleum industry. By 2002, for example, NUBIFIE was unable to pay arrears of its own employees' salaries and its rent. In the case of NUPENG, however, although revenues declined in real terms between 1999 and 2000 (see Table 20) the union was not as impoverished as NUBIFIE.

The decline in the revenue generated by the trade unions is significant for bargaining power. As noted in the literature review chapter, workers' bargaining power depends, amongst other factors, on features specific to the main trade union involved in bargaining, including its financial strength (Smith, 1996). Moreover, healthy union finances are important determinants of union mobilising potential. Without a strong financial base, a union's capacity to mobilise its members for industrial actions becomes limited.



At this stage, a summary of the similarities and differences in the impact of privatisation between the finance and petroleum industries is essential as this will enable us to deduce the effects of sector, economic centrality, nature of the labour force, the balance of bargaining power between the trade unions and management, etc, as factors mediating privatisation's impact on trade unions and employment relationship. The two hypotheses (mentioned earlier on above) that this study seeks to validate will thereafter be tested against the data presented in the summary.

Briefly, the similarities in the impact of privatisation in both industries are as under-listed:

- i. Privatisation accentuated private sector management styles in the privatised SOEs through a refocusing of corporate strategy on profits and shareholders' interests.
- ii. Privatisation benefited unions and their members in the areas of redundancy negotiations and wages.
- iii. The trade unions' capacity to mobilise their members for strike actions to oppose privatisation-related redundancy was significantly eroded by their members' preference for juicy redundancy benefits offered by employers, signifying a variation in their mobilising capacity related to the bargaining agenda.
- iv. Privatisation did not result in a review of the legal framework of collective bargaining, which continues to be regulated by the country's labour laws nor in the structure of unions.
- v. The percentage of workers covered by collective agreement declined.

- vi. The trade unions changed their bargaining strategies as a result of which their members' redundancy benefits now exceed the provisions of their existing collective agreements.
- vii. Collaboration amongst unions in order to combat the effects of privatisation has become more prominent.
- viii. Privatisation resulted in an increase in the incidence of strikes and trade disputes recorded.
- ix. Trade union membership size declined as a result of privatisation, with an increase in labour redundancies, although these were negotiated and voluntary.
- x. Privatisation precipitated a change in trade union membership recruitment strategies, with the unions becoming more proactive and shifting their focus to the recruitment of new members from the ranks of casual and contract workers.
- xi. Privatisation reduced the revenues of trade unions.

Despite the above-mentioned similarities, there are significant differences in the nature of privatisation's impact in the two industries as well, which are summarised below:

- i. The impact of privatisation on the balance of bargaining power varies for each industry. As noted in chapters four and five, while privatisation led to a decline in union bargaining power in the finance industry, it did not significantly affect union bargaining power in the petroleum industry due largely to sector-specific factors like the strategic importance of the oil industry to Nigeria's economic fortunes and global oil market stability, the nature of the unions in the industry and the strong political leverage which NUPENG/PENGASSAN derive from sectoral factors and turn to bargaining advantage. The finance industry, on



the other hand, is not of equal strategic importance to Nigeria's economy and global financial market. Consequently, ASSBIFI and NUBIFIE do not benefit from the sort of economic and political advantage that NUPENG/PENGASSAN enjoy.

- ii. The impact of privatisation on collective bargaining varies for both industries. As noted in chapters four and five respectively, there is a change in the practice of collective bargaining in the finance industry, as evidenced by the gradual replacement of collectivism with individualism in some of the sector's privatised SOEs like UNIC Insurance Plc and total de-unionisation and complete elimination of collective bargaining in some others like FBN Plc. In the petroleum industry, on the other hand, collectivism remains decentralised and the accepted practice for mediating the industry's employment relationship, with no evidence of total de-unionisation in any of the sector's privatised SOEs.

The variation in the impact of privatisation on collective bargaining, particularly as it relates to total de-unionisation in the finance industry but not in the petroleum industry, is attributable to the differences in the bargaining power of their respective unions discussed earlier on in this chapter. The change in the structure of collective bargaining in the finance industry, for instance, was made possible by a combination of the weakened state of finance sector unions and the complete de-unionisation that resulted from the restructuring of some of the sector's privatised SOEs.

- iii. Collective bargaining in the finance industry assumed a volatile dimension as a result of privatisation. In the petroleum industry, on the other hand, despite the initial problems, relations between unions and management remain relatively

cordial. Unlike in the case of the petroleum industry employers and the government for whom the need to reach compromise with unions (in order not to disrupt the flow of oil from the oil wells and the refineries) was very important, finance sector employers do not feel any such pressure. As noted in chapter one, the potential relative bargaining power of a union is dependent on a combination of factors like the centrality of the group to the workflow, the extent of its organisation, its cohesiveness and solidarity. Next is the degree to which the group can be substituted and the extent to which substitute products or services for those provided by the group are available to the organisation's customers and the group's willingness to exercise its disruptive power, its awareness of its potential bargaining power, its willing to press home its advantage and its history of having done so in the past (Gennard and Judge, 1997). It is these attributes that the petroleum industry unions are able to retain despite privatisation (but which their finance sector counterparts lack) that help to explain the differences in the impact of privatisation on collective bargaining in both industries.

- iv. The negative impact of privatisation on union membership size is more pronounced in the finance than the petroleum industry, due largely to the nature of their respective unions and the variations in their bargaining power arising from their different sectoral contexts. As noted in chapter five for instance, the mobilising and strike capacities of NUPENG and PENGASSAN were unaffected by membership decline, unlike the case of NUBIFIE and ASSBIFI noted in chapter four that lost between 75 percent and 44 percent of their members respectively to privatisation.
- v. In the finance industry, privatisation resulted in a reduction in the percentage of workers covered by collective agreements and in trade union density as well, to



a much larger degree than was the case in the petroleum industry because NUPENG and PENGASSAN were more successful in recruiting new members from the ranks of casual and contract employees in the petroleum industry than NUBIFIE and ASSBIFI were in the finance industry. Moreover, union strike mobilisation was more effective in the petroleum industry where unions were more willing to back their demands with threats of strike actions than the case of the finance industry where NUBIFIE/ASSBIFI became more pragmatic in their approach and preferred dialogue, due to their weakened state after privatisation.

- vi. The decline in the membership size of NUBIFIE/ASSBIFI led to a proportional decline in their bargaining power. In the petroleum industry, on the other hand, the bargaining power of NUPENG and PENGASSAN was not significantly affected by the decline in their membership size. Although as earlier noted in this chapter, a decline in the membership of a union does not necessarily translate to loss of bargaining power, in the case of NUBIFIE/ASSBIFI, the decline was so substantial that it had a proportional impact on their revenue, their capacity to mobilise their members and bargain effectively and consequently, their bargaining power.

#### 6.4. Relationship of the comparison to the conclusions of the privatisation literature

So far in this chapter, the similarities and differences in the impact of privatisation on trade unions and employment relationship in Nigeria's finance and petroleum industries have been compared in order to test the study's two critical hypotheses (deduced from a review of the privatisation literature in chapter one) against the data presented in the comparison. The question at this stage is: how do the data

presented in the comparison relate to the two hypotheses? In order to effectively answer this question, it is essential to reiterate the two hypotheses, as follows:

1. The employment relationship changes in its expression and management in privatised enterprises as a consequence of the change in ownership and control, structure and product market competition arising from privatisation; and,
2. The employment relationship in privatised enterprises changes not necessarily as a consequence of privatisation, but as a consequence of changes in managerial/corporate strategies, national and firm-level industrial relations policies and other environmental factors not related to privatisation.

As evidenced from the findings of the current study, there were changes in the ownership and control of the privatised SOEs in Nigeria's finance and petroleum industries from government to private sector. In both sectors, ownership and control of SOEs were transferred to core investors who became majority shareholders of the new companies that emerged. Evidence from this study indicates that the employment relationship changed in both cases but not necessarily as a consequence of the change in ownership and control (which was common to both sectors) but due to environmental and sectoral factors unique to each case, as well as post-privatisation restructuring of the privatised SOEs that came in the wake of the change in ownership and control, as informed by the new focus of the emerging companies on the shareholders' perspective of profit making as opposed to the largely political and welfare objectives that characterised the SOEs under government ownership.



As revealed in the data presented in this chapter, there are variations between the finance and petroleum sectors with respect to the changes in trade unionism and employment relationship arising from privatisation, which suggest that other factors mediated the impact of privatisation apart from the change in ownership and control, structure and product market competition arising from privatisation. Given the similarities in their privatisation experiences, there is evidence from this study to attribute the differences in the impact of privatisation between both sectors to the different effects of sector, economic centrality, nature of the unions and the balance of bargaining power between unions and employers as factors mediating the impact of privatisation. As the data presented in this comparative chapter reveal, these factors vary markedly for both sectors and consequently, confer varying degrees of leverage and power on their respective unions.

It is evident therefore, that although the findings of the current study (as represented by the data presented in this chapter) agree to some extent with the conclusions of the privatisation literature on the predictive impact of privatisation on trade unions and employment relationship as represented by the first hypothesis (i.e. that the employment relationship changes in its expression and management in privatised enterprises as a consequence of the change in ownership and control, structure and product market competition arising from privatisation) its findings differ slightly.

The current study's conclusion in this regard is that in developing economies like Nigeria, changes in the expression and management of the employment relationship in privatised SOEs as a consequence of the change in ownership and control, structure and product market competition arising from privatisation, are

mediated by the different effects of environmental (economic and political developmental contexts) and sectoral factors, economic centrality of the sector, the nature of unions involved in bargaining and the balance of bargaining power between unions and the management. This conclusion indicates a need to substantially modify the conclusions of the privatisation literature in order to accommodate the mediating impact of other factors, particularly in the developing economies of Africa.

This is because there are differences between developed Western economies and developing economies like Nigeria in a variety of ways, which should have implications for privatisation and how it impacts on industrial relations in specific economic sectors. First is the difference in their levels of economic development. Take the central importance of oil and petroleum products as an export product and a major source of revenue and foreign exchange for Nigeria, for instance (see Tables 29, 30 and 31). There is no Western economy that is so dependent on a single commodity or economic sector for its survival. Oil production, consumption and pricing are regulated largely by consumers in Western (developed) economies and not by Nigeria or OPEC. In most developing economies, there are similar elements of mono-culturalism (i.e. near-total dependency on single economic products or sectors) unlike the case in developed Western economies and the newly-industrialised Asian tigers.

In the case of Nigeria's banking sector, although the country is building a modern banking sector, it is not as integrated with her economy like banking is in Western economies. Therefore, developments in the sector do not portend similar implications for Nigeria's economy as is the case in developed economies. It is



worthy of note that the sectoral features identified in Nigeria's finance and petroleum sectors appraised in the current study relate specifically to Nigeria and her state of development.

Second is the difference in the level of political development between developing and developed economies, as represented by the nature of their respective governments. Unlike the U.K for instance, where privatisation was initiated by a democratic, parliamentary government, the programme in Nigeria commenced under military dictatorship. Despite the emergence of a democratically-elected government in the country since 1998, Nigeria is not a democracy in the Western sense since the Nigerian government operates more like an agency concerned with building a geopolitically-balanced economy rather than an integrated, perfect market economy. Moreover, individuals and groups in the country have differing notions on public ownership. Like most developing nations, Nigeria is not an economy where public ownership was built on a political ideology like socialism. Rather, the government attempts to gain control of the economic levers in order to alleviate plural fears and achieve geo-political economic balance. Like her economic context, Nigeria's political context derives from her development context. As noted in chapter one, the political context in which privatisation takes place influences the propensity of workers to resist sell-off schemes and the forms such resistance might take, same as the presence or absence of genuine partisan political competition (Cook and Murphy, 2002).

Thirdly, there are differences in the objectives of privatisation between developed and developing economies, which portend different implications for industrial relations and different consequences for the regulation of employment. As noted in

section 1.2.3 of chapter one, developed and developing economies have different policy objectives of privatisation (see Adam et al., 1992, p. 13 for instance). The privatisation literature therefore requires substantial modification to take cognisance of both economic and political development contexts if its conclusions are to be applicable to a West African economy like Nigeria where the nature of political, social and economic factors (which in turn mediate the impact of privatisation) are determined largely by the country's stage of development.

For instance, the privatisation literature in Europe hypothesises on pre-existing, wide and diversified market economies in which no single sector is critical to the countries' economic survival. Unlike the case in developed nations where individual sectoral privatisation may go wrong with very little implications for the economy as a whole, in most developing countries this is not the case. In Nigeria for example, if the privatisation of the oil sector were to go wrong, the country will disappear as an economic entity. The privatisation literature therefore needs also to reflect the differences in the nature of the public sectors of developing and developed economies that are to be privatised. For instance, the assumption by the privatisation literature that a privatised SOE will move from non-competitive to competitive context is not valid in the case of Nigeria's oil sector where the government retains 100 percent control of oil and gas resources. Differing effects of country-specific sectoral and environmental factors help to explain the differences in the impact of privatisation between different development contexts.

The second hypothesis that the current study tested posits that the employment relationship in privatised enterprises changes, not necessarily as a consequence of privatisation, but as a consequence of changes in managerial/corporate strategies,



national and firm-level industrial relations policies and other environmental factors not related to privatisation. As noted in chapter one, the privatisation literature argues that it is difficult to isolate the effect of privatisation from other variables that have an influence on aggregate measures and that this often results in the observance of certain trends, but with weak causality (Sheshinski and Lopez-Calva, 1999).

There is no evidence from the current study to support this second conclusion of the privatisation literature. As earlier shown in chapters four and five, the observed changes in trade unionism and employment relationship in privatised SOEs in Nigeria's finance and petroleum sectors are entirely privatisation-related. Moreover, there were no changes observed in official national level and firm-level industrial relations policies as a direct result of the privatisation of SOEs in both industries. Despite evidence to the effect that other environmental factors unrelated to privatisation impacted on unions in both sectors before privatisation, there is no evidence from this study to indicate that such factors accounted for the changes observed in trade unionism and employment relationship in UNIC Insurance, FBN and Conoil Plc after privatisation. The conclusion of the current study in this regard therefore, is that the employment relationship in privatised enterprises changes as a consequence of changes in managerial/corporate strategies and firm-level industrial relations strategies directly related to privatisation.

The conclusions of the current study therefore, suggest the need to refine the privatisation theory (as represented by the two hypotheses tested in this chapter) to take account of environmental and other sectoral differences (i.e. the

developmental context in which privatisation takes place) as follows:

1. Although the employment relationship in privatised SOEs changes in its expression and management as a consequence of the change in ownership and control, structure and product market competition arising from privatisation, the observed changes are mediated largely by the different effects of environment, sector, economic centrality, the identity of the trade unions and the balance of bargaining power between unions and management as determined by developmental context (economic, institutional and political) of the country involved; and,
2. The employment relationship in privatised enterprises changes as a consequence of changes in managerial/corporate strategies and firm-level industrial relations strategies related entirely to privatisation (i.e. as a result of privatisation-related corporate restructuring).

## **6.5. CONCLUSION**

In this section, the conclusions of the current study are summarised in four sections. In the first part, the key points of the study are recapitulated followed by a brief statement of the theoretical perspectives of the privatisation literature. In the third section, the current study's contribution to the privatisation literature is discussed, while issues and themes for future research are highlighted thereafter.

### **6.5.1. Recapitulation of key points**

So far in this study, a review of the literature on privatisation, trade unions and employment relationship was conducted in chapter one, followed by a discussion



of the study's methodology in chapter two. In chapter three, the environmental context of privatisation in Nigeria was evaluated, while the finance and petroleum case studies were analysed in chapters four and five respectively. In chapter six, the findings of chapters four and five were comparatively evaluated in order to tease out the under-listed:

1. The common features of privatisation and its consequences for trade unions and employment relationship in both sectors, and,
2. The differences in the impact of privatisation between the two sectors that will enable us deduce the effects of environmental and sectoral factors, economic centrality, nature of labour force, balance of bargaining power, etc, as factors mediating the impact of privatisation.

The conclusions of chapter one (as represented by the two hypotheses deduced from the privatisation literature) were then tested against the data presented in chapter six, first to deduce whether change has indeed occurred in the predicted directions and secondly, to examine how the theory can be refined/improved to take account of sectoral and other differences revealed by the two case studies.

#### 6.5.2. Restatement of theoretical perspectives

Certain research questions rooted in the implications of privatisation for employment relationship as defined by Western literature (but relevant to an understanding of Nigeria's experience) emerged from the conclusions of the privatisation literature and constitute the core arguments and theoretical/analytical reference points for the current study, as follows:

1. Is there any obvious connection in the theory on privatisation between the macro-level change in ownership and control, structure of firm and the nature of the product market competition on the one hand, and the micro-level changes in industrial relations on the other?
2. Are there other factors responsible for the micro-level changes in industrial relations observable in privatised enterprises other than privatisation?

The current study explored two hypotheses (derived from the above-mentioned questions) as follows:

1. The employment relationship changes in its expression and management in privatised enterprises as a consequence of the change in ownership and control, structure and product market competition arising from privatisation; and,
2. The employment relationship in privatised enterprises changes, not necessarily as a consequence of privatisation, but as a consequence of changes in managerial/corporate strategies, national and firm-level industrial relations policies and other environmental factors not related to privatisation.

The study tested two sets of concepts derived from the first hypothesis. The first set of concepts, represented by the term ‘privatisation’, includes changes in:

- i. Ownership
- ii. Control
- iii. Structure of the firm, and,
- iv. Product market competition.



The second set of concepts, represented by the term ‘employment relationship’, includes changes in:

- i. The balance of power between management and trade unions
- ii. Collective bargaining
- iii. Union membership size and finances
- iv. Wages, and,
- v. Disciplinary and grievance procedure

There are equally two sets of concepts embedded in the second hypothesis, which the current study translated into operational terms. These are:

- i. Changes in corporate and management strategies, the firm’s industrial relations policies arising from privatisation-related restructuring and other environmental factors not related to privatisation; and,
- ii. Changes in ‘employment relationship’ as defined above.

The two sets of concepts derived from the two hypotheses were translated into operational terms via a critical evaluation of the impact of privatisation on Nigeria’s finance and petroleum industries in chapters four and five. The findings of those two chapters revealed varying degrees of change in the nature of both industries’ trade unions and employment relationship as a result of privatisation, suggesting the need for a comparison and an identification of those factors that accounted for the observed differences in chapter six. The findings of the comparisons were then tested against the study’s two hypotheses.

### 6.5.3. Contribution of the current study to the privatisation literature and theory

In addition to contributing empirical evidence of performance improvement in privatised SOEs, increases in wages and union membership decline in a developing economy context, the current study's contribution to the privatisation theory lies in its key findings which agree to some extent with the conclusions of the privatisation literature on the predictive impact of privatisation on trade unions and employment relationship but differ significantly from the privatisation literature's conclusions (as represented by the two hypotheses which the study tested). The findings indicate the need to modify privatisation theory to take cognisance of the development context (economic, institutional and political) in which privatisation takes place if it is to apply to a developing economy (like Nigeria) where the environmental and sectoral factors mediating privatisation's impact are in turn mediate by economic, institutional and political contexts as determined by the country's level of development.

Such developing economy dimension of privatisation is important since the specificity of privatisation in developing countries differs significantly from its nature in developed economies. The consequences of privatisation for both economic contexts are therefore, bound to differ. Moreover, there are variations in the economic and political contexts of developed and developing economies, which, in a variety of ways, significantly determine the nature of the impact of privatisation. For instance, unlike developed economies where the various economic sectors are significantly integrated, the economic sectors in most developing countries are not as integrated and depend largely on single economic products or sectors for survival.



Secondly, the nature of government differs in both economic contexts. Unlike the case in the developed nations, most governments in developing nations are not democracies in the Western sense and tend to act more like agencies concerned with gaining control of economic levers in order to ensure plural balance. Additionally, individuals and political groupings in the developing nations have different notions of public ownership which also differ from those of developed nations. It is important therefore that the privatisation literature takes cognisance of these differences rather than seek to apply similar theories and conclusions to both development contexts.

This is imperative because the privatisation literature in Europe and the rest of the developed world hypothesises a pre-existing market economy in which no single sector is critical to the country's economic survival like the case of Nigeria and most developing countries. Hence, the literature needs to reflect the difference in the nature of the public sectors of developing and developed nations since the economic centrality of a public sector in a developing nation may interfere with the nature of post-privatisation competition. In the case of Nigeria's oil industry for instance, the sector did not move from non-competitive to perfectly competitive context since government retains ownership of the country's oil and gas resources.

There are two additional reasons why a modification of the conclusions of the privatisation theory and literature (as represented by the two hypotheses tested in this study) is necessary. As revealed in chapter six, the first reason stems from the differing effects that privatisation (i.e. change of ownership and control of SOEs from public to private sector) had on trade unions and employment relationship in

Nigeria's finance and petroleum sectors. Despite similarities in their privatisation experiences and the similar privatisation method employed in both industries, environmental and sectoral differences, differences in their economic centrality, their level of regulation by government, the nature of bargaining, the power relationship between unions and employers, ownership and control of their product markets and the nature of their market competition (as determined by Nigeria's economic and political development contexts) mediated the impact of privatisation and produced different sectoral effects, which are in certain respects substantially different from the effects associated with the privatisation of Western SOEs.

The second reason lies in the fact that, contrary to the second conclusion of the privatisation literature to the effect that the employment relationship in privatised SOEs does not necessarily change as a consequence of privatisation but rather as a consequence of changes in other factors unrelated to privatisation (as represented by hypothesis two), the findings of the current study (as revealed in chapters four, five and six) indicate that the observed changes in the employment relationship of the privatised SOEs in Nigeria's finance and petroleum industries are solely attributable to privatisation, i.e., they are not related to factors other than privatisation.

#### 6.5.4. Issues and themes for future research

Although the current study does not attempt to ascribe a universal validity to its findings, they are significant for an understanding of the impact of privatisation in different sectoral and economic development contexts. Moreover, the study constitutes an empirical challenge for future comparative research on the impact of



privatisation on trade unions and employment relationship in other industrial sectors in Nigeria and other developing countries and also for future studies comparing the impact of privatisation on trade unions and employment relationship in developing and developed economies. The study also highlights the paucity of trade union data and the need to conduct research in the future aimed at building relevant union data base in developing nations like Nigeria.

It is imperative at this stage to note the fact that at the outset of this study, this Author's aim was to comparatively evaluate the impact of privatisation and employment relationship in three economic sectors in Nigeria. However, due to constraints of time and money, the third case study involving the food, beverage and tobacco industry- was dropped after the first field trip. Preliminary findings from that sector however, indicate an unusual co-operation between unions (Nigerian Union of Food, Beverages and Tobacco Employees and Association of Senior Staff of Food, Beverages and Tobacco Companies) with management in the case study company- the Nigerian Flour Mills Plc. It would be interesting to follow that aspect of the research through in a future study, as the findings probably may lead to conclusions that are slightly different from the findings of the current study.

A comparative cross-regional evaluation of the impact of privatisation on industrial relations in different or similar sectors of developed and developing economies sometime in the future is also worth pursuing in order to see if the findings will replicate or differ significantly from those of the current study. It will also be worthwhile exploring further the implications of SAP and political contingency for privatisation's impact on unions and industrial relations in

privatised SOEs in developing economies. A review of the theoretically-based expectations of how privatisation would affect employment (which was subsumed under union membership in this study) and industrial relations (i.e. predictions on privatisation's industrial relations outcomes) is also worth pursuing sometime in the future.

Finally, it will also be worthwhile to see how the passage of time and changes in the developmental context of Nigeria or some other developing economy in the future will mediate privatisation's impact on industrial relations in different economic sectors. Such studies may further enrich the conclusions of the privatisation literature on the implications of different developmental contexts for the impact of privatisation on industrial relations and will be considered in the future.



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## TABLES

Table 1 -Assets of the Main Financial Institutions 1980-1993 (=N=million)

Type of Institution	1980	%	1993	%
CBN	40,860	(33.1)	113,029	(46.4)
Commercial Banks	71,358	(57.7)	88,457	(36.4)
Merchant Banks	4,402	(3.6)	21,844	(8.9)
DFIs	2,865	(2.3)	4,220	(1.7)
Insurance Companies	1,266	(1.0)	4,850	(1.9)
Hire Purchase/Finance Companies			4,725	(1.9)
Other	2,873	(2.3)	5,605	(2.8)
Total	123,624	(100.0)	242,730	(100.0)

Source: Ojo (1994b, p. 256) cited in Brownbridge, M. 1996, op. cit. p. 24: constant 1990 prices.



Table 2 - Number and Ownership Structure of Commercial Banks: 1960-1992

Year	State Govt	FGN	FGN/ Foreign	Foreign	Private/ Foreign	Private	Miscellaneous	Total
1960	1			7		3	1	12
1970	6			7			2	15
1980	10		7		2	1		20
1985	14		7		5	2		29
1992	25	2	6		7	26		66

Source: Brownbridge, M. 1996, op. cit. p. 24

\*Note: FGN means Federal Government of Nigeria

Table 3- Number and Ownership Structure of Merchant Banks: 1960-1992

Year	FGN*	FGN/ Foreign	Foreign	Foreign/ Private	Private	Miscellaneous	Total
1960			2				2
1970			1				1
1980	2	3		1			6
1985	2	3		5	2		12
1992	2	3		7	41	1	54

Source: Brownbridge, M. 1996, op. cit. p. 25



Table 4- Strikes and Issues Involved, 1966-78

Issues	1966/67	1967/68	1968/69	1969/70	1973/74	1974/75	1975/76	1976/77	1977/78
Wages	18	20	3	3	9	6	11	23	33
Conditions of service	9	9	10	9	25	21	2	6	19
Discipline/termination	7	6	1	3	15	11	5	8	23
Hours of work/overtime	5	5	-	2	1	8	3	6	6
Allowance/bonus	5	4	-	3	6	57	11	8	20
Anti-union/recognition	6	3	-	1	4	4	9	8	7
Irregular wage payments	10	3	12	2	-	8	5	-	8
Refusal to bargain	-	1	1	1	4	4	4	6	-
Violation of agreement	1	-	-	-	4	1	2	-	10
Promotion/grading	2	-	2	1	2	3	-	2	6
Removal of management	5	8	-	4	8	5	4	3	5
Commission award	-	-	-	-	2	-	24	8	8
Benefits	-	-	-	-	6	-	5	6	4
Others (various)	2	2	1	3	1	5	5	6	3
<b>TOTAL</b>	<b>70</b>	<b>61</b>	<b>29</b>	<b>32</b>	<b>87</b>	<b>133</b>	<b>90</b>	<b>90</b>	<b>152</b>

Source: Tayo Fashoyin, op. cit, p.79

Table 5- First Bank Financial Summary, 1984-1988

	1988	1987	1986	1985	1984
	=N=,000	=N=,000	=N=,000	=N=,000	=N=.000
Cash, bank balances and bills discounted	3,286,885	3,248201	2,645,195	2,845,917	2,461.995
Fixed Assets	204,515	167,228	141,778	116,125	104,359
Total Assets	7,071,807	6,776,874	5,995,762	5,052,994	4,829,178
Financed By:					
Deposits	5,646,396	5,010,455	4,412,745	4,134,070	4,115,546
Sharehold ers Funds	434,618	373,463	311,248	226,434	188,075
Other Liabilities	893,700	1,339,591	1,200,234	654,134	498,659



Total Liabilities	7,071,807	6,776,874	5,995,762	5,052,994	4.829.178
Dividend	17,339	39,646	60,103	30,408	20,785
Gross Earnings	860,274	692,723	571,484	448,196	379.216
Profit before taxation	124,375	106,013	145,848	82,944	49,246
Taxation	79,339	39,646	60,103	30,408	20,785
Profit after taxation	74,224	68,013	86,625	53,404	29,144
Equity Dividend Cover (times)	3.3	3.0	5.7	4.6	2.9
Returns on shareholde rs funds	17%	18%	28%	24%	15%
Earnings	89.2K	81.5K	104.6K	63.4K	33.3K

per ordinary share (adjusted) (Kobo)*				
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Source: The Nigerian Stock Exchange Fact Book, 1989/90, p. 66



Table 6- First Bank Financial Summary, 1989-1993

	1993 =N=,000	1992 =N=,000	1991 =N=,000	1990 =N=,000	1989 =N=,000
Cash, bank balances and bills discounted	16,949	11,316	7,114	4,550	3,955
Fixed Assets	851	671	562	376	294
Total Assets	23,552	16,986	11,319	8,482	8,492
Financed By:					
Deposits	16,439	11,965	8,287	6,585	5,785
Shareholders Funds	1,494	955	457	300	534
Other Liabilities	22,058	16,031	10,862	8,182	7,958
Total Liabilities	23,552	16,689	11,319	8,482	8,492
Gross	4,306	2,689	1,575	1,433	1,151

Earnings					
Profit/(Loss) before taxation	932	366	(31)	(205)	163
Taxation	388	31	-	-	57
Profit after taxation	584	335	(31)	(205)	106
Returns on shareholders funds	38%	35%	-	-	20%
Earnings per ordinary share (adjusted) (Kobo)*	272	40	-	2.50	15.00k
Dividend per share- actual (Kobo)	70	40	-	2.50	15.00k

Source: The Nigerian Stock Exchange Fact Book, 1994, p. 81

Note: \*Kobo is Nigeria's least currency denomination. 100 Kobo equals one Naira (=N=)



Table 7- UNIC Insurance Plc. Financial Summary, 1988-1992

	1992	1991	1990	1989	1988
	=N=,00 0	=N=,000	=N=,00 0	=N=,00 0	=N=,00 0
Premium income less reinsurance	133,829	109,393	92,310	69,705	44,437
Underwriting result	(2,073)	8,051	12,986	9,421	8,017
Investment Income	17,788	11,054	9,842	6,830	6,567
Profit before taxation and adjustment for prior year item	15,715	19,105	22,828	16,251	14,584
Profit after taxation and adjustment for prior year item*	10,797	13,405	14,328	9,609	2,461
Contingency Reserve	4,015	3,821	4,565	3,250	1,590
Asset Replacement Reserve	-	1,500	1,500	-	-
Dividend	6,500	6,500	6,000	3,850	2,750
Profit/(Loss) retained	282	1,584	263	2,509	(1,879)
Statutory Deposit	150	150	150	150	150
Investments	160,511	73,795	65,805	57,097	53,863
Fixed Assets	79,661	42,651	39,825	38,701	9,967
Current Assets	78,604	134,857	133,478	111,379	88,247

Other Assets	6,770	7,270	8,420	10,115	10,510
Less: Liabilities and provisions*	(147,500)	(128,259)	(125,854)	(115,355)	(107,045)
Total Assets Employed	178,196	130,464	121,824	102,087	55,045
Financed By:					
Share Capital	20,000	15,000	15,000	15,000	15,000
Capital Reserve	62,163	29,016	29,016	29,016	-
Asset Replacement Reserve	3,000	3,000	1,500	-	-
Revenue Reserve	-	2,582	5,998	3,735	-
Reserve for Bonus Issue	-	5,000	-	-	-
Profit and Loss Account	-	-	-	-	1,226
Insurance Funds	57,025	46,737	45,002	33,594	21,327
Contingency Reserve	33,144	29,129	25,308	20,742	17,492
Total	178,196	130,464	121,824	102,087	55,045
STATISTICS					
Earnings Per Share (Kobo)	26.99	44.68	47.76	32.03	8.20
Earnings Per Share (Kobo) (adjusted)	-	33.51	35.82	24.02	6.15
Dividend per share	16.25	21.67	20.00	12.83	9.17



(Kobo)					
Dividend per share (Kobo) (adjusted)	-	16.25	15.00	9.62	6.87
Dividend Cover (times)	1.66	2.06	2.39	2.50	0.89
Net Assets per share (=N=)	4.45	4.35	4.06	3.40	1.83
Net Assets per share (=N=) (adjusted)	-	3.26	3.05	2.55	1.38

Source: The Nigerian Stock Exchange 1994 Fact Book, op cit, p. 331

Table 8- Range of Average Wages and Salaries in the Public Sector, 1980 – 1997 (=N=  
[Annum)

Year	Junior		Senior	
1980	1,560 -	3,132	3,708 -	15,144
1981	1,860 -	3,132	3,708 -	15,144
1982	1,860 -	3,354	4,050 -	15,960
1983	1,860 -	3,354	4,050 -	15,960
1984	1,860 -	3,354	4,050 -	15,960
1985	1,860 -	3,354	4,050 -	15,960
1986	1,860 -	3,354	4,050 -	15,960
1987	1,860 -	3,354	4,050 -	15,960
1988	3,293 -	8,327	7,453 -	29,599
1989	3,293 -	8,327	7,453 -	29,599
1990	3,293 -	8,327	7,453 -	29,599
1991	5,631 -	11,583	12,202 -	43,158
1992	11,099 -	17,583	26,828 -	63,008
1993	16,483 -	25,420	28,598 -	63,162
1994	17,963 -	29,780	33,503 -	78,060
1995	18,739 -	36,965	41,586 -	84,444
1996	18,739 -	36,965	41,586 -	84,444
1997	18,739 -	36,965	41,586 -	84,444

Source: Central Bank of Nigeria Statistical Bulletin, Volume11, No. 2 (December 2000), p.



Table 9: Registered Unemployed and Vacancies Declared (Lower Grade Workers) 1970-2001

Year	Old Reg*.	Fresh Reg*.	Re-Reg*.	Total	Vacs Declared**	Placements
1970	-	-	11732	1533	-	
1971	-	-	-	12303	1520	-
1972		-	-	13302	1870	-
1973		-	-	15196	2829	-
1974	-		-	20694	4061	-
1975	-	-	-	23239	3989	-
1976	-	-	-	20860	5864	-
1977	-	-	-	14663	6373	-
1978	-	-	-	18661	5410	-
1979	-	-	-	-	-	-
1980	-	-	-	256623	34947	-
1981	-	-	-	188438	58204	-
1982	15688	70157	51570	106496	19943	47557
1983	25131	55339	32118	112588	18310	7394
1984	30670	50108	40167	120945	14612	3865
1985	27926	36039	32615	96580	11156	2139
1986	27210	31273	26675	85158	13050	2378
1987	33967	79718	31399	145084	16502	4988
1988	66625	30003	19534	116162	14154	2506
1989	52737	26128	17190	96055	14052	3474
1990	55043	20355	14354	89752	7637	1917
1991	77769	19896	12848	110513	14529	2924
1992	66812	3449	4882	75143	3864	985
1993	69463	2492	3432	75387	3735	1251
1994	68930	2052	1295	72277	3786	859
1995	76658	3085	1990	81730	4182	1119

1996	79897	3580	1964	85441	7873	2020
1997	81546	3099	1187	85832	7831	2134
1998	82094	1804	829	84727	6895	1352
1999	82313	2584	1127	86024	7313	1611
2000	82959	1662	747	85368	6583	923
2001	83388	2006	527	85921	6284	1856

Note: (1) There was no breakdown of total registration for 1970-1981

(2) There were no placements recorded between 1970- 1981.

\*Reg. means Registration; \*\*Vacs Declared means vacancies declared

Source: Central Bank Of Nigeria (CBN) Statistical Bulletin, Volume11, No. 2 (December 2000), p.

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Table 10- Registered Unemployed and Vacancies Declared (Professionals and Executives)

Year	Old Registration	Fresh Registration	Re- Registration	Total	Vacancies Declared	Place- ments
1970				518	80	-
1971				382	63	-
1972				271	113	-
1973				301	92	-
1974		-	-	224	125	-
1975		-	-	179	172	-
1976		-	-	166	180	-
1977	-	-	-	151	312	-
1978		-	-	135	198	-
1979	-		-	-	-	-
1980						
1981	-					
1982	-	-	-	-	-	-
1983	-					
1984	706	1324	484	2514	657	26
1985	1234	2038	992	4165	748	145
1986	2295	2329	1499	6123	606	148
1987	2116	10917	2067	15100	444	175
1988	9031	3646	3616	16293	591	281
1989	10287	2545	1449	14281	3091	678
1990	6436	2853	893	10182	3695	986
1991	10253	2073	298	12624	3989	164
1992	21324	744	138	22206	3088	10
1993	100234	6880	1039	108153	12605	79
1994	27191	657	275	28123	3307	8
1995	31202	1259	482	32942	3708	49

1996	66235	673	344	67252	250	91
1997	65864	588	9	66461	83	2
1998	99133	243	-	99376	38	15
1999	60117	3550	2	63669	138	75
2000	104588	372	-	104960	115	110
2001	63821*	227	3	64051	34	3

Note: (i) There was no breakdown of total registration between 1970 and 1981.  
(ii) There were no placements recorded between 1970 and 1981. \* Estimates

Source: Central Bank Of Nigeria (CBN) Statistical Bulletin, Volume11, No. 2  
(December 2000), p. 209



Table 11: Ratio of Vacancies/Unemployment 1982-2001 (%)

Year	Lower Grade Workers	Professionals and Executives
1982	18.73	-
1983	16.26	-
1984	12.08	26.13
1985	11.55	17.96
1986	15.33	9.90
1987	11.37	2.94
1988	12.19	3.63
1989	14.63	21.64
1990	8.51	36.29
1991	13.15	31.59
1992	5.14	13.91
1993	4.95	11.66
1994	5.24	11.76
1995	5.12	11.25
1996	9.22	0.37
1997	9.12	0.13
1998	8.14	0.04
1999	8.5	0.22
2000	7.71	0.11
2001	7.29	0.05

Source: Compiled by this author from Tables 9 and 10

Table 12- First Bank Financial Summary, 1993-1995

	1995	1994	1993
ASSETS	=N='m	=N='m	=N='m
Cash, Bank balances and bills discounted	40,897	25,002	19,296
Investments	151	91	67
Loans and advances	12,666	6,164	3,235
Other assets	6,135	4,277	2,673
Equipment on lease	345	69	32
Fixed assets	3,678	1,228	883
TOTAL ASSETS	63,872	36,831	26,186
LIABILITIES			
Deposits	43,464	25,022	17,864
Current Taxation	342	486	464
Deferred taxation	-	-	-
Dividend	467	241	161
Other liabilities	13,335	8,872	5,984
	57,608	34,621	24,473



SHAREHOLDERS' FUNDS	6,059	2,049	1,616
Minority Interests	205	161	97
	63,872	36,831	26,186
Gross earnings	8,980	5,914	5,390
Profit before taxation	1,238	1,179	1,196
Profit after taxation	1,009	756	741
Dividend			
Ordinary shares	377	215	151
Earnings per share-actual	174k	157k	315k
Earnings per share-adjusted	93k	81k	81k
Dividend per share-actual	70k	50k	70k
Dividend per share-adjusted	36k	21k	14k
Dividend cover (times)	2.50	3.10	4.50

Note: Earnings and dividend per share are based on profit after tax and  
1,040,616,251 Ordinary shares of 50 kobo each

Source: Downloaded from

<http://www.nigeriabusinessinfo.com/firstbankofnigeriaplc.htm>



Table 13- First Bank Plc. Financial Summary, 1996-2002

		Year ended March 31		15 months to 31 Mar.		Year ended 31 Dec.
	2002	2001	2000	1999	1998	1996
<b>ASSETS</b>	<b>=N='m</b>	<b>=N='m</b>	<b>=N='m</b>	<b>=N='m</b>	<b>=N='m</b>	
	<b>=N='m</b>					
Cash, Bank balances and bills discounted	186,978	145,924	126,457	71,420	51,041	47,048
Investments	700	501	491	445	432	178
Loans and advances	61,918	46,111	34,981	31,668	26,047	16,144
Other assets	8,664	12,855	10,933	19,549	12,606	5,059
Equipment on lease	190	202	244	340	389	324
Fixed assets	7,826	7,308	7,447	6,081	4,706	4,066
<b>TOTAL ASSETS</b>	<b>266,356</b>	<b>212,901</b>	<b>180,553</b>	<b>129,503</b>	<b>95,221</b>	<b>72,8199</b>
<b>LIABILITIES</b>						
Deposits	168,175	148,279	127,230	84,531	66,202	55,498
Current Taxation	1,176	1,740	1,103	910	821	309
Deferred taxation	694	453	-	-	-	-

Dividend	2,642	2,114	1,626	1,041	1,169	437
Other liabilities	78,564	43,222	36,075	31,714	17,794	10,181
	248,609	195,808	166,034	118,196	85,986	66,425
SHAREHOLDERS' FUNDS	17,747	17,093	14,519	11,307	9,235	6,394
TOTAL LIABILITIES	266,356	212,901	180,553	129,503	95,221	72,819
Gross earnings	41,717	29,098	26,855	17,767	13,808	10,030
Profit before taxation	15,731	6,201	5,112	3,711	2,323	1,155
Profit after taxation	3,979	4,676	4,221	2,943	1,649	997
Dividend	2,642	2,114	1,626	1,041	1,041	377
Return on shareholders fund	NA	27%	29%	26%	18%	16%
Earnings per share-actual	NA	288k	324k	283k	158k	148k
Dividend per share-actual	NA	130k	125k	100k	100k	56k
-adjusted	NA	130k	100k	64k	64k	23k
Dividend cover	NA	2.21	2.60	2.83	1.58	2.64



(times)						
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Note: Earnings and dividend per share for 1996-2001 are based on profit after tax and 1,625,965,913 ordinary shares of =N=0.50 each.

Source: FBN PLC, Annual Report and Accounts 2000/2001, 2001/2002. Figures for 2002 obtained from ‘BusinessDAY’, July 8-14 2002, p. 21.

Table 14 - UNIC Insurance Plc Annual Report and Accounts, 1994-2000

	2000	1999	1998	1997	1996	1995	1994	1993
Profit and loss accounts	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000
Premiums (net of commissions)	876,058	905,721	919386	869,607	478,947	370,709	273,789	181,040
Underwriting results	50,846	100,063	134,547	124,282	58,345	78,646	(7,483)	(38,202)
Net investment income	105,594	128,254	63,028	42,989	67,465	28,369	26,819	25,423
Shareholders fund	726,301	700,659	766,769	384,223	221,996	174,986	137,997	107,713



Life assurance fund surplus	-	610	1,057	437	344	377	227	-
Management expenses	(91,754)	(97,598)	(85,664)	(88,638)	(62,300)	(54,263)	(44,835)	-
Provision for doubtful debts	(13,058)	(190644)	(27664)	(1,627)	-	-	-	-
Profit/(loss) before taxation	51,627	(59,315)	85,304	77,443	63,854	53,129	19,563	(12,779)
Taxation	(5,704)	(5,000)	(25,359)	(31,256)	(7,616)	(8,580)	(2,365)	(680)
Profit/(loss) after taxation	45,923	(54,315)	59,945	46,187	56,238	44,549	17,198	(13,459)

Contingency reserve	(19,582)	(18,457)	(17,864)	(16,310)	(13,585)	(10,489)	(7,974)	(5,431)
Asset replacement reserve	-	-	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Dividend	-	-	39,760	12,600	10,500	(7,500)	-	-
Retained profit/(loss) for the year	26,341	(82,772)	821	15,777	30,653	25,060	7,724	(20,390)
Cash	70,922	155,869	193,327	169,471	131,650	NA	NA	NA
Short-term investments	615,562	483,643	394,179	111,983	135,280	NA	NA	NA
Other assets	519,131	567,948	730,354	553,935	389,860	4,600	6,770	6,770



Loan to policy holders	1,919	1,162	849	737	737	NA	NA	NA
Long-term investments	323,370	305,503	269,709	192,953	173,323	191,015*	214,276*	204,967*
Statutory deposit	13,500	13,500	14,910	5,000	5,000	5,000	5,000	150
Fixed Assets	234,646	262,975	252,837	285,103	142,990	135,560	116,736	81,427
Total Assets	1,779,050	1,790,600	1,856,165	1,319,182	978,840	790,573	631,922	420,573
Creditors and accruals	538,932	561,099	573,002	475,776	386,601	(404,952)	(313,088)	(235,058)
Outstanding claims	134,070	152,052	147,333	141,675	115,933	NA	NA	NA





reserve												
Revenue reserve	(29,697)	(47,416)	35,356	62,935	47,158	16,505	(8,495)	(17,526)				
Reserve for Bonus Issue	298,200	-	-	-	-	-	-	-				
Total	726,301	700,659	766,769	384,223	221,996	174,986	137,997	185,515				
Statistics												
Earnings per share* (K)	23.1	(32.4)	30.2	110.0	133.9	106.7	40.9	(33.65)				
Dividend per share* (K)	0.0	0.0	20.0	30.0	25.0	18.0	-	-				
Net assets per share* (=N =)	3.7	3.5	5.7	16.7	11.3	8.9	7.38	4.64				

\*Note: Earnings, dividend and net assets per share of 50 kobo computed based on profit after taxation, dividend proposed and shareholders' funds based on the number of shares issued as at 31 December 2000. \*Investments figures for 1994 and 1995 are total figures. NA means not available. Source: UNIC Insurance Plc. Reports and Accounts, 1998 and 2000. Figures for 1993 and 1994 obtained from <http://www.nigeriabusinessinfo.com/unicinsuranceplc.htm>



Table 15- Union Monthly Dues and Membership, 1994

UNION	MONTHLY DUES PAID	MEMBERS HIP	UNION	MONTHLY DUES PAID	MEMBERS HIP
Agriculture and Allied Workers Union	=N=1,200	6,000	NURTW- Road Transport Workers	=N=14,000	70,000
Amalgamated Union of Public Corporations	=N=17,400	87,000	NUSDE- Shop and distributive employees	=N=3,000	15,000
Maritime Workers Union	=N=9,200	46,000	NUTGTE-Textile Employees	=N=14,500	72,500
Medical & Health Workers Union	=N=2,400	12,000	NCSU- Civil Service	=N=14,000	70,000
NANNM- Nurses and Midwives	=N=3,400	17,000	NUCSTSH – Hotel employees	= N=5,000.00	25,000
National Union of Air Transport Workers	=N=2,000	10,000	NUJ- Journalists	=N=3,000.00	15,000
National Union of Chemical, Footwear and Rubber Products Employees	=N=4,000	20,000	NULGE- Local Govt. employees	=N=10,000	50,000

NUBIFIE	=N=14,000	70,000	NUMW- Mines	=N=900	4,500
National Union of Electricity Workers	=N=4,000	20,000	NUP- Pensioners	=N=3,750	18,750
National Union of Food, Beverage and Tobacco Employees	=N=7,624	38,120	NUR- Railways employees	=N=2,600	13,000
NUPSE- union of public sector employees	=N=2,800	14,000	NUT- Teachers	=N=36,000	180,000
NUCEFW-Union of Construction Workers	=N=7,400	37,000	NASU- Non-academic staff	=N=10,000	50,000
NUPENG	=N=6,000.00	30,000	RATTAWU- Radio, TV and Theatre workers	=N=1,000	5,000
NUPTE -Post and Telecommunications employees	=N=4,200.00	21,000	SEWUN- Steel and Engineering workers	=N=8,150	40,750
NUPPPROW- Paper products s	=N=2,400.00	12,000	ALL UNIONS		1,069,620

Source: Compiled by this Author from NLC Financial Records. Union membership calculated based on =N=0.20 per member per month.



Table 16- Average Minimum Wages and Salaries in Major Sectors of the Nigerian Economy  
for Junior and Senior Employees (1992-I999)

(=N=/ ANNUM)

SECTORS	1992		1993		1994		1995	
	JNR	SNR	JNR	SNR	JNR	SNR	JNR	SNR
Agriculture	3700	7371	5096	9211	3869	9696	5365	12721
Manufacturing	2400	8261	3692	12389	3840	11885	3900	15952
Building & Construction	6003	19945	6525	21674	7016	23559	7385	24799
<b>Financial Institutions</b>	6530	15142	8244	19200	4245	13532	8222	15779
Ministries & Department	1408	6632	1977	11787	2397	5780	2500	7929
Transport & Communication	3027	7275	3187	7658	3355	8062	3753	10150
Trading & Business Serv.	3195	14168	4971	19247	5000	13667	6966	18000
<b>Mining &amp; Quarrying</b>	9620	19203	10689	21336	11252	21552	22149	33804
Others	1319	4061	1389	4275	1463			

Table16 (continued)    (=N=/annum)

SECTORS	1996		1997		1998		1999	
	JNR	SNR	JNR	SNR	JNR	SNR	JNR	SNR
Agriculture	5798	13038	6231	13355	8801		12431	14476
Manufacturing	4450	16437	5000	16923	5184		5375	33601
Building & Construction	6869	25363	6741	25928	7774		8965	29284
<b>Financial Institutions</b>	8780	26242	9338	36706	14911		23810	45734
Ministries & Department	2668	8065	3837	8200	5996		9370	13137
Transport & Communication	4646	14085	5540	18019	9061		14820	13849
Trading & Business Serv.	6983	15900	7000	13800	7200	15492	7406	17392
<b>Mining &amp; Quarrying</b>	23649	51302	25150	68800	30110	100850	36048	147830
Others	2118	4364	2736	3800	4195	8400	6432	18568

Source: Central Bank of Nigeria (CBN) Statistical Bulletin, Volume11, No. 2 (December 2000), p. 211

Table 17- NUBIFIE Wage Demands, Actual Raises and Bargaining Power in Nigeria's Finance Industry (1990-2003)

YEAR	RAISE  DEMANDED (%)  ( <i>d</i> )	ACTUAL  RAISE (%) ( <i>w</i> )	UNION  POWER (?)
1990	N/A	N/A	N/A
1992	200	45	22.5
1994	200	50	25
1996	200	55	27.5
1998	200	15	7.5
2000	300	30	10
2002	500	35	7

Source: Compiled from data obtained from NUBIFIE



Table 18 – ASSBIFI Wage Demands, Actual Raises and Bargaining Power in Nigeria’s Finance Industry (1990-2002)

YEAR	RAISE  DEMANDED (%)  ( <i>d</i> )	ACTUAL  RAISE (%)  ( <i>w</i> )	UNION POWER*
1990	N/A	N/A	N/A
1993	100	50	50
1995	100	45	45
1997	100	15	15
1999	N/A	N/A	N/A
2000	100	30	30
2002	100	35	35

Source: ASSBIFI. Union power compiled from demanded wage and actual raise data obtained from ASSBIFI

Table 19- Trade Union Membership 1999- NOVEMBER 2002

S/N	UNION	1999	2000	2001	JAN-NOV. 2002
1.	AAWUN	608	4,850	16,709	30,805
2.	AUPCTRE	10,382	30,282	64,691	72,467
3.	MARITME	145	8,986	24,076	83,479
4.	MED & HEALTH	1,848	4,550	9,610	16,649
5.	NANNM	1,292	1,930	12,375	28,4323
6.	NUATE	3,040	3,057	1,718	8,820
7.	<b>NUBIFIE</b>	<b>9,803</b>	<b>12,100</b>	<b>11,289</b>	<b>15,060</b>
8.	NUCFRLANMPE	6,002	11,116	5785	32,121
9.	NUCCEW	14,353	12,058	27,349	17,099
10.	NUEE	3,324	8351	6,684	_*
11.	NUFBTE	3,632	12,590	27,500	71,273
12.	NUHPSE	3,064	2,531	4,138	3,613
13.	<b>NUPENG</b>	<b>7,536</b>	<b>6,266</b>	<b>16,166</b>	<b>17,484</b>
14.	NUPTE	4,871	9,407	10,000	14,364
15.	NUPPROW	2,673	4,255	3,431	6,623
16.	NURTW	800	1,675	1,670	15,455
17.	NUSDE	1,607	2,000	3,436	4,628
18.	NUTGTWUN	34,267	38,550	81,425	82,000
19.	NCSU	15,526	20,948	25,095	31,469
20.	NUCSTSAS	602	1,866	8,912	10,949
21.	NUJ	44	109	2,017	1,444
22.	NULGE	1,789	3,475	6,524	24,434
23.	NUMW	141	716	1,517	2,739



24.	NUP	1,295	1,667	1,698	2.727
25.	NUR	260	667	2,167	-
26.	NUT	9,776	56,071	127,229	192,662
27.	NASU	3,359	10,668	42,218	67,462
28.	RATTAWU	530	133	879	2.503
29.	SEWUN	9,498	13,286	16,733	23.318
30.	NLC	152,068	284,161	563,038	880,078

Source: Computed by this Author from industrial unions' remittance to the NLC from 1999 to Nov. 2002 based on =N=10.00 per member per month (i.e. average monthly union remittance to the NLC divided by 10).

Table 20- Nigerian Trade Unions' Revenue 1999- November 2002 (=N=/Annum)

S/N	UNION	1999	2000	2001	JAN-NOV. 2002	TOTAL (1999- NOV. 2002)
1.	AAWUN	729,490.00	5,819,860.00	20,050,891.60	33,885,223.50	60,485,465.10
2.	AUPCTRE	12,458,420.00	36,337,940.00	77,628,654.80	79,714,113.80	206,139,128.60
3.	MARITME	174,100.00	10,782,900.00	28,891,647.40	91,826,987.40	131,675,634.80
4.	MED & HEALTH	2,217,570.00	5,460,390.00	11,531,457.50	18,313,390.90	37,522,808.40
5.	NANNM	1,550,130.00	2,316,490.00	14,849,381.30	31,275,827.50	49,991,828.80
6.	NUATE	3,647,580.00	3,668,520.00	2,061,323.10	9,701,734.30	19,079,157.40
7.	<b>NUBIFIE</b>	11,763,560.00	14,519,650.00	13,546,339.20	16,565,678.30	56,395,228.50
8.	NUCFRLANMPE	7,202,840.00	13,338,760.00	6,941,849.60	35,333,503.20	62,816,952.80
9.	NUCCEW	17,223,480.00	14,470,700.00	32,818,480.00	18,808,660.00	83,321,320.00
10.	NUEE	3,988,400.00	10,021,410.00	8,020,767.40	-*	22,030,577.40
11.	NUFBTE	4,358,090.00	15,108,200.00	33,000,000.00	78,400,000	130,866,290.00
12.	NUHPSE	3,677,230.00	3,037,650.00	4,965,790.60	3,974,343.80	15,655,014.40
13.	<b>NUPENG</b>	9,043,600.00	7,518,710.00	19,399,473.70	19,231,882.20	55,193,665.20
14.	NUPTE	5,845,690.00	11,288,120.00	12,000,000.00	15,800,000.00	44,933,810.00



15.	NUPPROW	3,208,080.00	5,105,970.00	4,117,074.50	7,285,124.50	19,716,249.00
16.	NURTW	960,000.00	2,010,360.00	2,003,631.10	17,000,000.00	21,973,991.10
17.	NUSDE	1,927,840.00	2,400,430.00	4,122,918.90	5,091,284.40	13,542,473.30
18.	NUTGTWUN	41,120,000.00	46,260,000.00	97,710,000.00	90,200,000.00	275,290,000.00
19.	NCSU	18,631,140.00	25,137,150.00	30,113,874.10	34,615,659.40	108,497,823.50
20.	NUCSTSAS	723,430.00	2,239,580.00	10,694,210.80	12,044,139.00	25,701,359.80
21.	NUJ	53,920.00	130,700.00	2,420,014.40	1,588,514.30	4,193,148.70
22.	NULGE	2,146,580.00	4,170,440.00	7,829,175.10	26,877,520.00	41,023,715.10
23.	NUMW	168,800.00	859,350.00	1,820,197.70	3,012,963.00	5,861,310.70
24.	NUP	1,553,390.00	2,000,000.00	2,037,912.10	3,000,000.00	8,591,302.10
25.	NUR	312,000.00	800,000.00	2,600,000.00	-	3,712,000.00
26.	NUT	11,731,520.00	67,284,850.00	152,674,673.40	211,928,080.60	443,619,124.00
27.	NASU	4,030,800.00	12,801,900.00	50,661,855.80	74,208,177.20	141,702,733.00
28.	RATTAWU	636,310.00	159,710.00	1,054,843.40	2,753,752.00	4,604,615.40
29.	SEWUN	11,397,030.00	15,943,680.00	20,079,601.90	25,649,587.80	73,069,899.70
30.	NLC	18,248,102.00	34,099,342.00	67,564,603.94	96,808,614.74	216,720,662.68

Source: Computed by this Author from union dues remitted by the 29 industrial unions to the NLC. Union remittance to the NLC was

increased to 10 percent following the 1998 restructuring exercise. \*NUEE withheld their remittance to the NLC for this period.

Table 21 – Naira Exchange Rate (=N=1.00 to US\$1.00), 1987-2002

YEAR	PARALLEL MARKET	OFFICIAL RATES
1987	4.601	N/A
1988	6.048	N/A
1989	10.530	N/A
1990	11.607	N/A
1991	13.425	N/A
1992	22.802	19.65
1993	N/A	21.88
1994	N/A	22.0
1995	N/A	21.89
1996	82.300	78.94
1997	83.8	75.30
1998	86.000	89.40
1999	98.150	98.80
2000	102.02	110.55
2001	132.6	123.54
2002	N/A*	130.56

Source: Federal Office of Statistics, Abuja, Nigeria, Annual Abstracts of Statistics for various years. CBN Rates for 2001-2002 obtained from Nigeria Factsheet, 2003, op. cit. \*N/A= Not Available



Table 22- UNIC Insurance Plc: Number of employees and aggregate payroll costs, 1997-2000

Year	Number of persons employed	Aggregate payroll cost =N=million
1997	554	105.287
1998	556	115.924
1999	556	141.241
2000	478	136.624

Source: Compiled from UNIC Insurance Plc, Annual Report and Accounts for 1998, 1999 and 2000. See also Appendix III- UNIC Insurance Plc’s letter of November 14, 2001 on Remuneration to staff).

Table 22A: Changes in staffing levels in UNIC Insurance Plc, 1997-2002

Year	Number of persons employed
1997	554
1998	556
1999	556
2000	478
2002	225

Source: Compiled from UNIC Insurance Plc, Annual Report and Accounts for 1998, 1999 and 2000. Data for 2002 obtained from <http://www.unicinsurance.com/aboutunic.htm>

Table 22B: UNIC Insurance Plc- Number of employees and aggregate payroll costs, 1997-2000

Year	Number of persons employed	Aggregate payroll cost =N=million
1997	554	105.287
1998	556	115.924
1999	556	141.241
2000	478	136.624
2002	225	N/A

Source: Compiled from UNIC Insurance Plc, Annual Report and Accounts for 1998 and 2000, pp. 32 and 31 respectively. 2002 figures obtained from <http://www.unicinsurance.com/aboutunic.htm>. See also the UNIC Insurance Plc's letter of November 14, 2001 on Remuneration to staff.



Ta'23- Distribution of Total and Retrenched Staff by Employers (October 1982 To October 1983)

Employer	Federal	State	Private Sector	All Employers
	Government (Civil and Parastatals)	Government (Civil and Parastatals)		
Percentage share of total employees	23.4	51.7	24.7	100.0
Percentage share of retrenched staff	2.8	25.9	71.3	100.0

Source: National Manpower Board, 1983, cited in Fajana, S. 2000, op cit, p. 69.

Table 23b - Distribution of Total and Retrenched Employees by Industrial Sector (October 1982 To October 1983)

Industry	Percentage share of total employees	Percentage share of retrenched staff
Construction	3.4	37.3
Commerce	2.6	6.0
Manufacturing and processing	11.2	24.7
Electricity, Gas and Water	1.4	0.2
Agriculture	4.9	2.4
Transport and Communications	18.1	2.9
Community, Social and Personal Services	52.9	17.6
All Employers	100.0	100.0

Source: National Manpower Board, 1983 cited In Fajana, S. 2000, op cit, p. 69.



Table 24- Employment Change in Manufacturing, 1995-1996

Industry	1995	1996	Employment Change
Total Manufacturing	513,976	490,867	-23,109
Food Products	56,356	57,860	+1,504
Beverages	17,233	15,278	-1,955
Textiles	155,753	154,605	-1,148
Wearing apparel, except footwear	5,519	5,559	+40
Leather products	5,600	5,764	+164
Footwear, except rubber or plastic	135	138	+3
Wood products, except furniture	2,650	3,042	+392
Furniture, except metal	84,605	54,299	-30,306
Paper and products	12,255	11,918	-337
Printing and publishing	19,865	20,270	+405
Industrial chemicals	74	74	0

Other chemicals	33,988	36,468	+2,480
Rubber products	16,215	19,683	+3,468
Plastic products	15,400	15,669	+269
Other non-metallic products	9,789	8,826	-963
Iron and steel	3,470	3,299	-171
Fabricated metal products	52,329	56,189	+3,860
Machinery, except electrical	5,559	6,186	+627
Machinery (electric)	8,884	8,070	-814
Transport equipment	4,588	4,297	-291
Other manufactured products	3,709	3,553	-156

Source: United Nations Industrial Development Organisation- UNIDO (2003) op cit.

Employment Change data compiled by this Author from UNIDO Data.



Table 25 – Average Employment by Firm Size, 1990-2000

	1990	1994	1998	1999	2000
Whole Sample	410.9 (806.5)	361.2 (758.6)	335.5 (71 5.6)	31 7.8 689.3	296.6 638.1
Micro	57.4 (65.5)	63.4 (66.71)	39.71 (44.8)	35.77 (41.6)	28.88 (10.66)
Small	92.75 (79.4)	90.39 (76.50)	76.18 (36.72)	68.32 (20.92)	70.32 (13.98)
Medium	206.7 (214.14)	143.02 (80.86)	148.82 (71.09)	150.7)) (56.35)	140.74 (26.71)
Large	287.54 (195.28)	308.24 (192.20)	292.18 (119.19)	289.92 (105.56)	292.80 (79.84)
Very Large	1 640 33 1,545.5)	1,716.6 (1,603.1)	1,623.6 (1,376.4)	1,596.4 (1,397.3)	1,482.2 (1,229.2)
African	220.22 (484.64)	223.95 (531.02)	200.22 (497.49)	194.02 (500.44)	182.34 (468.69)
Non-African	622.02 (1,113.30)	554.12 (1,054.46)	553.42 (974.82)	484.86 (902.44)	479.08 (819.83)
Local	152.73 (193.45)	151 .00 (213.55)	130.28 (187.37)	125.01 (178.61))	121.61 (158.92)
Foreign	654.05 1,105.36)	602.51 (1,110.20)	590.69 (1,030.74)	533.36 (982.16)	520.59 (917.32)

Source: World Bank, 2001, cited in Marchat et al. 2002, op cit., p. 36

Table 26- Composite Consumer Price Index

Year	All Items	Drinks			Clothing		Acc*, Fuel		Medical		Rec., Ent.	
		Food	Tobacco	& Kola	& Footwear	& Light	Household	Care &	Transport-	Cul. Services*	Educ. & Other	
1988	181.2	195.3	137.6	162.2	135.7	179.2	154.8	151.2	165.7	142.6		
1989	272.7	298.1	212.1	243.2	181	290.9	192.5	247.4	228.2	193.9		
1990	293.2	308	267.4	305	217	328.3	240.2	291.3	263.1	231.5		
1991	330.9	345.9	305.3	376.5	226.3	411.4	290.3	314.5	307.1	287.3		
1992	478.4	506.8	460.2	498.4	298.3	617.9	443.6	440.7	406.9	412.2		
1993	751.9	800.2	693.2	723	612.7	936.6	862.9	706.3	664.7	629.2		
1994	1180.7	1174.6	1195.4	1107.4	1066.7	1583.6	1188.5	1532	1236.2	1114.9		
1995	2040.4	2017.7	1973.2	1996.3	1844.9	3042.1	2013.1	2374.3	2154.3	1960.4		
1996	2681.1	2648.7	2487.8	2707.9	2435.9	3287.5	2775.3	3066.3	2944.8	2540.2		
1997	2863.2	2884.2	2640.6	2919.4	2526.8	3658.7	3116.1	3373.6	3556.6	2739.5		
1998	3149.2	3044.4	2762.8	3001.7	3444.7	3490.4	3281.1	3866.2	3456.4	3080.7		
1999	3273.3	2996.6	2914.5	2992.3	4617.9	3670.7	3497.8	4363.2	4328.9	2885.1		
2000												
1st Quarter	3310.2	3005.9	2988.9	3017.4	4752.4	3700.4	3538.8	4492.6	4516.5	3573.1		



2nd Quarter	3538.4	3156.8	3095.9	3051.1	5262.8	3538.4	3158.8	3096.9	3051.1	3814.8
3rd Quarter	3729.6	3218.7	3167.2	3097.6	6756.6	3875	3671.4	4836.6	4700.3	2783.8
4th Quarter	3786.7	3213.8	3341.1	3132.6	7135.1	3878.5	3663.6	4969.6	4809	2686.1
2001										
1st Quarter	3910.9	3430.1	3676.8	3111.7	6707.9	3893.9	3689.2	5242.2	4970	4539.8
2nd Quarter	4266.9	4076.9	4378.6	3034	5739.9	4044.2	3489.6	4794.2	5100.6	4943.4
3rd Quarter	4436.1	4359.7	4588.7	3051	5658.8	3918.9	3408.3	4775.4	5495.2	4938.8
4th Quarter	4458	4257.8	4813.9	3076.7	6011.8	3934.1	3225.5	6436.7	5556.8	5440.5

Note: Figures not provided because of the intermittent review of the composition of the items in each component of the Consumer Price Index.

1970. 1987, data have been rebased using figures sourced from F. O. S. From 1988, Drinks, Tobacco and Kola have been combined. \*= Accommodation; \*\* = Recreation, Entertainment, Education and Other, Cultural Services.

Source: Federal Office of Statistics, Abuja, Nigeria.

Table 27 - Inflation Rate, 1980-2001

Year	Inflation Rate (Percent)
1980	9.9
1981	20.9
1982	7.7
1983	23.2
1984	39.6
1985	5.5
1986	5.4
1987	10.2
1988	38.3
1989	40.9
1990	7.5
1991	13.0
1992	44.5
1993	57.2
1994	57.0
1995	72.8
1996	29.3
1997	8.5
1998	10.0
1999	5.6
2000	6.9
1st Quarter	2.7
2nd Quarter	0.9
3rd Quarter	3.3
4th Quarter	6.9
2001	5.2



1st Quarter	11.9
2nd Quarter	16.6
3rd Quarter	18.4
4th Quarter	18.9

Source: Federal Office of Statistics, Abuja, Nigeria.

Table 28- Petroleum Products Pricing (2000-2002)

PRODUCT	PETROL	DIESEL	KEROSENE
Initial price/litre (1999)	N20.00	N19.00	N17.00
Government increase/litre (2000)	N10.00	N10.00	N10.00
% increase	50%	52.60%	58.80%
Labour's demand	0%	0.00%	0.00%
Final negotiated price/litre	N22.00	N21.00	N17.00
Negotiated % increase	10%	10.50%	0%
Bargaining power (Government)	20%	19.96%	0%
Bargaining power (Labour)	0%	0%	58.80%
Initial price (2000)	N22.00	N21.00	N17.00
Government increase/litre (2002)	N6.00	N5.00	N7.00
% increase	27.27%	23.81%	41.18%



Labour's demand	0%	0%	0%
Final unilateral price/litre	N26.00	N21.00	N17.00
Unilateral % increase	27.27%	23.81%	41.18%
Bargaining power (Government)	100%	100%	100%
Bargaining power (Labour)	0%	0%	0%

Source: Petroleum price increases compiled by the Author from NLC records

Table 29- Total Annual Petroleum Revenues and Percentage Contribution of Oil to Gross Domestic Product in Nigeria, 1992-2002

YEAR	TOTAL REVENUE (BILLIONS NAIRA)	OIL AS % GDP
1992	217.386	52.6
1993	206.893	53.5
1994	171.786	44.2
1995	236.411	40.4
1996	307.602	43.6
1997	326.640	38.9
1998	203.731	27.0
1999	721.018	21.4
2000	1,585.0	37
2001	1,712.0	36.1
2002	1,574.0	30

Source: 'Nigeria Factsheet', 2003. Human Rights and Oil Workshop- January

31, 2003 downloaded from

<http://ias.berkeley.edu/africa/Events/OilHR/Nigeria%20Factsheet.pdf>



Table 30-Nigeria's Import and Exports: Oil and Non-Oil, 1970-2001 (=N=million)

Year/Quarter	Imports (cif)			exports & Re-Exports (fob)		
	Oil	Non-Oil	Total	Oil	Non-Oil	Total
1970	52.2	704.2	756.4	510.0	375.4	885.4
1971	50.4	1,028.5	1,078.9	953.0	340.4	1,293.4
1972	45.2	944.9	990.1	1,176.2	258.0	1,434.2
1973	41.0	1,183.8	1,224.8	1,893.5	384.9	2,278.4
1974	52.4	1,684.9	1,737.3	5,365.7	429.1	5,794.8
1975	118.0	3,603.5	3,721.5	4,563.1	362.4	4,925.5
1976	95.0	5,053.5	5,148.5	6,321.6	429.5	6,751.1
1977	102.2	6,991.5	7,093.7	7,072.8	557.9	7,630.7
1978	110.0	8,101.7	8,211.7	5,401.6	662.8	6,064.4
1979	230.0	7,242.5	7,472.5	10,166.8	670.0	10,836.8
1980	227.4	8,868.2	9,095.6	13,632.3	554.4	14,186.7
1981	119.8	12,719.8	12,839.6	10,680.5	342.8	11,023.3
1982	225.5	10,545.0	10,770.5	8,003.2	203.2	8,206.4
1983	171.6	8,732.1	8,903.7	7,201.2	301.3	7,502.5
1984	282.4	6,895.9	7,178.3	8,840.6	247.4	9,088.0
1985	51.8	7,010.8	7,062.6	11,223.7	497.1	11,720.8
1986	913.9	5,069.7	5,983.6	8,368.5	552.1	8,920.6
1987	3,170.1	14,691.6	17,861.7	28,208.6	2,152.0	30,360.6
1988	3,803.1	17,642.6	21,445.7	28,435.4	2,757.4	31,192.8
1989	4,671.6	26,188.6	30,860.2	55,016.8	2,954.4	57,971.2
1990	6,073.1	39,644.8	45,717.9	106,626.5	3,259.6	109,886.1
1991	7,595.3	79,424.9	87,020.2	116,858.1	4,677.3	121,535.4
1992	19,937.2	125,974.2	145,911.4	203,292.7	3,973.3	207,266.0
1993	41,329.3	124,771.1	166,100.4	213,778.8	4,991.3	218,770.1
1994	42,349.6	120,439.2	162,788.8	200,710.2	5,349.0	206,059.2
1995	155,825.9	599,301.8	755,127.7	927,565.3	23,096.1	950,661.4
1996	162,178.7	400,447.9	562,626.6	1,286,215.9	23,327.5	1,309,543.4
1997	166,902.5	678,814.1	845,716.6	1,212,499.4	29,163.3	1,241,662.7
1998	175,854.2	661,564.5	837,418.7	717,786.5	34,070.2	751,856.7
1999	211,661.8	650,853.9	862,515.7	1,169,476.9	19,492.9	1,188,969.8
2000	198,735.9	764,228.0	962,963.9	1,920,900.4	24,822.9	1,945,723.3
2001						
1st Quarter	51,670.0	259,724.2	311,394.2	535,052.6	5,420.8	540,473.4
2nd Quarter	54,000.0	294,097.9	348,097.9	549,500.9	5,610.3	555,111.2
3rd Quarter	55,004.3	309,178.0	364,182.3	497,120.5	11,687.6	508,808.1
4th Quarter	54,800.3	268,991.5	323,791.8	391,548.2	5,289.9	396,838.1
2002						
1st Quarter	56,371.8	31,927.0	376,098.8	352,946.2	21,134.0	374,081.3
2nd Quarter	54,281.3	164,502.4	218,783.7	385,706.6	26,757.2	412,463.8
3rd Quarter	63,225.4	262,288.4	325,514.1	500,151.1	19,852.7	520,003.8
4th Quarter	65,192.50	263,791.50	328,984.0	541,417.70	26,907.70	568,325.4

Source: Central Bank of Nigeria Statistical Bulletin, Vol. 13 Part D (External Sector

Statistics, 2003), p. 172.

Table 31- Nigeria's Total Foreign Trade: Oil and Non-Oil, 1970-2001 (=N=million)

Year/Quarter	Total Trade			Balance of Trade		
	Oil	Non-Oil	Total	Oil	Non-Oil	Total
1970	5622	1,079.6	1,641.8	457.8	-328.8	129.0
1971	1,003.4	1,368.9	2,372.3	902.6	-688.1	214.5
1972	1,221.4	1,202.9	2,424.3	1,131.0	-686.9	444.1
1973	1,934.5	1,568.7	3,503.2	1,852.5	-798.9	1,053.6
1974	5,418.1	2,114.0	7,532.1	5,313.3	-1,255.8	4,057.5
1975	4,681.1	3,965.9	8,647.0	4,445.1	-3,241.1	1,204.0
1976	6,416.6	5,483.0	11,899.6	6,226.6	-4,624.0	1,602.6
1977	7,175.0	7,549.4	14,724.4	6,970.6	-6,433.6	537.0
1978	5,511.6	8,764.5	14,276.1	5,291.6	-7438.9	-2147.3
1979	10,396.8	7,912.5	18,309.3	9,936.8	-6572.5	3364.3
1980	13,859.7	9,422.6	23,282.3	13,404.9	-8313.8	5091.1
1981	10,800.3	13,062.6	23,862.9	10,560.7	-12377.0	-1816.3
1982	8,228.7	10,748.2	18,976.9	7,777.7	-10341.8	-2564.1
1983	7,372.8	9,033.4	16,406.2	7,029.6	-8430.8	-1401.2
1984	9,123.0	7,143.3	16,266.3	8,558.2	-6648.5	1909.7
1985	11,275.5	7,507.9	18,783.4	11,171.9	-6513.7	4658.2
1986	9,282.4	5,621.8	14,904.2	7,454.6	-4517.6	2937.0
1987	31,378.7	16,843.6	48,222.3	25,038.5	-12539.6	12498.9
1988	32,238.5	20,400.0	52,638.5	24,632.3	-14885.2	9747.1
1989	59,688.4	29,143.0	88,831.4	50,345.2	-23234.2	27111.0
1990	112,699.6	42,904.4	155,604.0	100,553.4	-36385.2	64168.2
1991	124,453.4	84,102.2	208,555.6	109,262.8	-74747.6	34515.2
1992	223,229.9	129,947.5	353,177.4	183,355.5	-122000.9	61354.6
1993	255,108.1	129,762.4	384,870.5	172,449.5	-119779.8	52669.7
1994	243,059.8	125,788.2	368,848.0	158,360.6	-115090.2	43270.4
1995	1,083,391.2	622,397.9	1,705,789.1	771,739.4	-576205.7	195533.7
1996	1,448,394.6	423,775.4	1,872,170.0	1,124,037.2	-377120.4	746916.8
1997	1,379,401.9	707,977.4	2,087,379.3	1,045,596.9	-649650.8	395946.1
1998	893,640.7	695,634.7	1,589,275.4	541,932.3	-627494.3	-85562.0
1999	1,381,179.0	670,334.0	2,051,513.8	957,837.2	-631338.0	326499.2
2000	2,467,880.1	511,753.0	2,979,633.1	2,057,341.1	-462173.6	1595167.5
2001						
1st Quarter	596,175.6	230,549.7	826,725.3	477,360.6	-220507.3	256853.3
2nd Quarter	612,595.8	265,112.9	877,708.7	489,837.0	-254691.5	235145.5
3rd Quarter	560,870.3	286,270.3	847,140.6	436,801.7	-263694.3	173107.4
4th Quarter	455,479.6	239,686.0	695,165.6	331,057.0	-229905.6	101151.4
2002						
1st Quarter	405,554.6	269,584.7	675,139.3	308,280.7	-205958.6	102322.1
2nd Quarter	436,874.6	143,823.8	580,698.4	343,268.1	-126573.1	216695.0
3rd Quarter	560,322.3	221,924.8	782,247.1	451,221.9	-209205.7	242016.2
4th Quarter	603749.9	225474.2	829,224.1	491255.1	-208126.6	283128.5

Source: Central Bank of Nigeria Statistical Bulletin, Vol. 13 Part D (External Sector Statistics, 2003) p. 173.



Table 32 – Conoil Plc: Financial Summary, 1993-2002

CAPITAL EMPLOYED	1997	1996	1995	1994	1993
	N'000	N'000	N'000	N'000	N'000
Turnover	12,075,941	14191,023	14,608,069	7,961,907	3,437,821
Profit/(Loss) before Tax	(1,026,156)	344,021	1,698,134	1,389,991	353,271
Profit/(Loss) after Tax	(1,024,894)	253,417	1,231,807	892,028	341,833
Bonus Issue	21,000	42,000	28,000	-	-
Dividends	0	252,000	613,200	436,800	89,600
Transfer to General Reserve	(1,049,394)	(1 9,583)	576,607	427,228	
Earnings/(Loss) per share- Adjusted (in Naira)	(2.99)	0.74	3.59	2.60	1.16*
Dividend per share- Adjusted (in Naira)	0	0.73	1 .79	1 .27	0.30*
ASSETS EMPLOYED:	1,831,200	1,399,854	646,602	337,695	265,877
Property, Plant & Equipment					
Investments	1,846	2,680	2,794	2,794	2,850
Deferred Tax	0	0	0	0	0

Net Current Asset/(Liabilities)	(488,102)	450,331	1,111,898	705,020	314,716
Net Assets	1,344,944	1,852,865	1,761,294	1,045,509	583,443
<b>FUNDS EMPLOYED:</b>					
Called-up Share Capital	147,000	126,000	84,000	56,000	56,000
Share Premium	246	246	246	246	246
Bonus Issue Reserves	24,500	21,000	42,000	28,000	0
Reserves	465,055	1,511,449	1,531,032	982,425	527,197
Shareholders' Funds	(633,801)	1,658,695	1,657,278	1,038,671	583,443
Non-Current Liabilities	711,143	194,170	104,016	6,838	-
	1,347,944	1,852,865	1,761,294	1,073,509	583,443
<b>CAPITAL EMPLOYED</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	N'000	N'000	N'000	N'000	N'000
Turnover	21,885,611	17,259,543	20,191,569	17,376,320	11,562,972
Profit/(Loss) before Tax	1,520,110	1,236,231	1,070,267	1,196,277	(920,699)
Profit/(Loss) after Tax	741,384	1,021,882	527,041	749,601	(596,717)
Bonus Issue	-	-	0	0	0
Dividends	(686,000)	(171,500)	(68,000)	0	0



Transfer to General Reserve	741,384	850,382	458,441	749,601	(596,717)
Earnings/(Loss) per share- Adjusted (in Naira)	2.16	2.98	1.54	2.60	(1.74)
Dividend per share- Adjusted (in Naira)	2.00	0.50	0.20	0	0
<b>ASSETS EMPLOYED:</b>	3,262,293	2,646,422	2,131,794	2,129,979	1,947,312
<b>Property, Plant &amp; Equipment</b>					
Investments	10	1,846	207,197	207,197	1,846
Deferred Tax	(474,754)	(435,367)	96,124	166,155	323,982
Net Current Asset/(Liabilities)	4,190,042	151,746	(235,748)	(582,027)	(737,452)
Net Assets	3,504,042	151,746	2,199,368	1,921,306	1,535,668
<b>FUNDS EMPLOYED:</b>					
Called-up Share Capital	171,500	171,500	171,500	171,500	171,500
Share Premium	246	246	246	246	246
Bonus Issue Reserves	4,000,000	0	0	0	0
Reserves	1,841,000	1,923,762	1,073,380	614,939	(134,662)
Shareholders' Funds	6,698,746	2,095,508	1,245,126	786,685	37,084
Non-Current Liabilities	(278,845)	(269,139)	(954,242)	(1,134,621)	(1,498,604)

6,012,746	2,095,508	2,199,368	1,921,306	1,805,012
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Source: NOLCHEM Plc’s Annual Report and Accounts for 1997, 1999 and 2000. Data for 2001 and 2002 obtained from <http://www.conoilplc.com/about/financial/reports/balancesheet.htm>

Note: Profit & loss account and reserves adjusted to correct wrong accounting treatment of bonus shares; Earnings and dividend per share calculated based on issued stock at 31.12.98. \*Earnings/dividend per share for 1993 calculated based on issued shares as at 31 December 1997.

Calculations for 1994-1999 were based on issued shares as at December 1999.



Table 33– NUPENG Wage Demands, Actual Raise and Bargaining Power (1999-2003\*)

YEAR	RAISE DEMANDED (%)	ACTUAL RAISE (%)	UNION POWER (?)
1999	150	75	50
2000	150	8.5	5.6
2001	200	10	5.0
2002	200	12.5	6.25
2003	150	16	10.67

\* There were no data for the period between 1994 and 1998 when NUPENG was proscribed by the military regime.

Table 34- Industrial actions in Nigeria's Oil Industry, 2000-2003

Name of company/agency	Nature of industrial action	Duration	Number of days/weeks lost
Major oil marketers except AP and NOLCHEM Plc.	Non-implementation of the effect of minimum wage legislation on the condition of employment	11/09/2000 to 19/09/2000	8 days
Department of Petroleum Resources (DPR)	Transfer of the Safety and Environment Unit to the newly-created Federal Ministry of Environment	6/03/2000 to 10/03/2000	4 days
Major oil producing and service companies	Unfair labour practices of employers (accused of favouring expatriates at the expense of	27/11/2000 to 7/12/2000	12 days



	Nigerian workers		
Federal Government of Nigeria	Increases in the pump price of petroleum products	National strike from 6/06/2000 to 13/06/2000	13 days
<b><i>NOLCHEM Plc</i></b>	<b>Unpaid salaries</b>	<b>26/01/2001 to 9/03/2001</b>	<b>30 days</b>
Texaco Nigeria Plc	Demand for 100% rise in allowance	9/05/2001 to 13/06/2001	6 weeks
Tidex Nigeria Ltd.	Demand for wage increases	5/06/2001 to 12/06/2001	7 days
Chevron Nigeria Plc	Expatriate quota and casualisation	11/06/2001 to 18/6/2001	8 days
NAOC (Agip)	Expatriate quota and casualisation	18/03/2002 to 2/04/2002	16 days
NNPC	Opposition to the privatisation of NNPC	23/07/2002	1 day
DPR	Demand for increase in	14/02/2003 to 21/02/2003	7 days

	remuneration for staff and autonomy for the DPR		
TotalfinaElf	Management's refusal to allow workers to present their grievances to the visiting officials of the company from the head office in France	7/03/2003 to 18/03/2003	12 days
Warri Refinery	Demand for refurnishing of facilities	1/04/2003 to 3/04/2003	3 days
Transocean Nigeria Plc	Demand for helicopter crew	18/04/2003 to 5/05/2003	19 days

Source: Records obtained from NUPENG, 2003



## **APPENDIX- List of organisations and interviewees**

### **NUBIFIE:**

1. National President
2. General Secretary
3. Head of Research
4. Three branch representatives
5. National Treasurer

### **ASSBIFI:**

1. Secretary-General
2. One branch Chairman
3. One ex-branch Chairman

### **NUFBTE:**

1. National President
2. General Secretary
3. Head of Research
4. Flour Mills Plc branch Chairman
5. Flour Mills Plc branch Secretary

### **NLC:**

1. Deputy President
2. One senior official

### **NUPENG:**

1. National President
2. General Secretary
3. Senior Organising Secretary
4. Head of Research

PENGASSAN:

1. Secretary-General
2. Head of Research and Training
3. Conoil Plc representative

FBN Plc:

1. Head of Human Capital
2. Principal Manager (Industrial Relations)

UNIC Insurance Plc:

1. Personnel Manager

Conoil Plc:

1. Industrial Relations Manager

Flour Mills Plc:

1. General Personnel Manager